

DEPOSIT INSURANCE FOR MUTUAL SAVINGS BANKS
Connecticut, Massachusetts
New York

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Probably by W.J. Price

January 17, 1935

MEMORANDUM TO THE BOARD OF DIRECTORS:

RE: THE MUTUAL SAVINGS BANK PROBLEM

ADVANTAGES OF FEDERAL DEPOSIT INSURANCE

The Federal plan has the following advantages for mutual savings banks:

1. It is cheaper for mutual savings banks than existing State plans.
2. It has a large capital backlog. The present assets of the Federal Deposit Insurance Corporation are \$330,000,000 which is 2% of the insured deposits. As shown below, the Massachusetts fund started with only 1/4 of 1% of the insured deposits and the New York fund started with only 1/5 of 1% of the insured deposits. Even adding all emergency assessments, the State funds would not exceed 1% of the insured deposits.
3. It has the power to borrow sums in addition to its capital funds.
4. It offers immediate payment to depositors in closed banks.
5. It will have the necessary powers to admit, expel, regulate, and examine insured banks.
6. It is national in scope, thus avoiding intra-State weaknesses.
7. The pool is large enough and includes a sufficient number of banks to minimize the insurance risk.

DEFECTS OF NEW YORK AND MASSACHUSETTS MUTUAL SAVINGS BANK INSURANCE PLANS

Before analyzing the defects of the plans in these two States, the apparent advantages of the State insurance plans should be stated. The advantages are as follows:

1. The funds insure total deposits, instead of only balances under \$5,000. In Massachusetts, a mutual savings bank may hold a total deposit of an individual amounting to \$8,000 and a joint deposit of \$16,000. In New York, the maximum individual deposit is \$7,500.

2. Local control of the fund within the State is provided, giving a degree of flexibility and adaptability to local conditions.

3. There may be a certain advertising value to membership in a State fund, although this claim does not have much merit since the same bank could advertise membership in the Federal Deposit Insurance Corporation with equal benefit.

These advantages are more apparent than real, and are offset by the following defects in the State plans:

I. The depositor does not get what he pays for.

1. In a mutual savings bank, the earnings, above the expenses and losses, belong to the depositor. Consequently, it can be said that the depositor pays for his insurance. Under the assessment plans of the State insurance funds, the rate is higher than the contemplated rate for the Federal Insurance Fund. In Massachusetts, the initial payment into the State fund is $1/4$ of 1% of deposits, and further assessments may be made up to a total of 1% of deposits. In New York, the initial payment is $1/5$ of 1% of deposits with emergency assessments possible up to a total of 1% of deposits; and in addition, annual assessments of $1/10$ of 1% of deposits are to be levied.

2. As shown below, the depositors in the larger mutual savings banks get no protection from the State insurance funds, and consequently their contribution to the funds is wasted money.

3. The depositor in a mutual savings bank, which is insured in a State fund, has no backlog to depend on in the form of a basic fund contributed by the State. The Federal Deposit Insurance Corporation has an initial fund contributed by the Treasury Department and the Federal Reserve banks.

4. In neither State is the depositor assured of immediate payment of his claims against the bank. In Massachusetts, the Fund is allowed three years for the repayment of the deposits with interest at a rate not to exceed 3% . In New York, the law is not specific, but it appears since the insurance covers only the difference between the amounts realized on liquidation and the claims of the depositors, that the failed bank is to be liquidated before the depositors are paid off.

5. In New York there is no assurance that the depositor will receive full payment. The agreement between the insured mutual savings banks reads in part as follows:

"Whenever any member bank or banks shall have been closed on account of inability to meet the demands of its or their depositors, the Trustee shall determine the net amounts due depositors of such closed bank or banks. If the assets of any such bank shall be sufficient to

satisfy its deposit liabilities, the Trustees shall make available to such depositors as expeditiously as practicable the amount of their respective credit balances. If the assets of any such bank shall be determined by the Trustee to be insufficient to satisfy its deposit liabilities, then within the limits of the resources in and available to the fund under this agreement and as expeditiously as practicable the Trustee shall make available to the depositors out of the fund the amount of the deficiency, for this purpose applying resources realized out of the fund pro-rata among the depositors of such closed bank or banks according to their respective credit balances."

6. In both States the possibility of the depositor regaining the use of his funds through the reopening of a failed bank is very remote, for a failed mutual savings bank in either State may only be reopened after all moneys advanced to the bank by the Insurance Fund have been repaid or satisfactory arrangements have been made for the repayment of the entire amount.

II. Safety of deposits is not assured.

1. The State Funds are too small.

a. In Massachusetts the law provides that an initial payment into the Fund shall be made amounting to $1/4$ of 1% of the insured deposits and that the maximum assessment which any one bank shall stand shall be equal to 1% of its deposits. Since the total insured deposits in Massachusetts savings banks, which are all members of the Insurance Fund, is approximately \$2,000,000,000, the initial Insurance Fund is \$5,000,000, and the Fund can never be larger than \$20,000,000, except for interest earnings on its investments. If any one of the four largest banks should fail with a loss of 35% it would wipe out the fund. There are enough other large banks in the funds so that only a few failures would exhaust the fund.

In Massachusetts, the inadequacy of the Insurance Fund is made more apparent by the fact the the Fund is obligated to repay the total deposits of failed savings banks, within three years from the date of failure. Since it is unlikely that all of the good assets of a failed savings bank could be liquidated within the three year period, the Insurance Fund should be large enough to pay not only the ultimate loss involved in the bank but to reimburse the depositors for those assets which have not yet been liquidated. Fortunately, the Massachusetts' law was limited to five years of operation and expires in March, 1937. The law contemplates the possibility that savings banks will be given the legal right to join the Federal Deposit Insurance Fund before the expiration of the five year period.

b. In New York there is a similar inadequacy in the maximum Insurance Fund. The initial payment by the insured savings banks amounts to $1/5$ of 1% of the insured deposits. Special and emergency assessments may then be levied until the total assessment against insured banks equals 1% of insured deposits. This is all of the money aside from

earnings which the Insurance Fund can count on during the first year of its operation. The agreement among the mutual savings banks, which are members of the Fund, stipulates that annual assessments shall be levied thereafter amounting to $1/10$ of 1% of the deposits of the insured banks. It is not anticipated that the Fund will ever be allowed to exceed 2% of the deposits of the insured banks because the agreement among the savings banks permit the Board of Trustees of the Fund to distribute any excess over that sum in dividends to the insured banks.

While the agreement among the insured banks permits a change to be made in the basis of assessment, by means of an amendment to the agreement, it is highly improbable that a greater rate of assessment would provide more money for the Fund since any bank which has entered the existing agreement can withdraw from the Association on 10 days' notice if the agreement is altered so as to raise the assessment rate.

We see then that the New York Fund is limited to 1% of the deposits of the insured banks during the first year and to an annual increase of only $1/10$ of 1% of the insured deposits. Since the New York savings banks, which are members of the State Fund, have deposits of \$4,580,000,000, it follows that the total initial payment, together with all emergency assessments, would amount to \$46,000,000, and that annual additions to the Fund are limited to \$4,600,000. Making the same assumption as in the case of Massachusetts (a possibility of 35% loss to depositors through the failure of a savings bank), the New York Fund would be exhausted if any one of the eight largest mutual savings banks of the State should fail. Failure of a few of the other large banks would have the same result.

2. The State Funds violate the principles of sound insurance.

a. There are too few banks in the two Funds to permit the law of averages to operate. Only 135 banks are members of the New York Fund, and 193 banks are members of the Massachusetts Fund.

b. There is a very wide variation in size of the insured banks, thus permitting the concentration of risk in a few large banks. The size distribution of the savings banks, which are members of the Massachusetts fund is as follows:

Deposit Range (in thousands)	Number of banks	Aggregate Deposits
100 - 250	2	\$ 271,000
251 - 500	0	0
501 - 750	4	2,648,000
751 - 1,000	4	3,314,000
1,001 - 2,000	19	29,711,000
2,001 - 5,000	56	192,581,000
5,001 - 10,000	47	335,235,000
10,001 - 20,000	38	533,546,000
20,001 - 50,000	16	421,044,000
Over 50,000	7	506,396,000
TOTAL	193	\$2,024,746,000

The size distribution of the savings banks which are members of the New York Fund is as follows:

Deposit Range (in thousands)	Number of banks	Aggregate Deposits
500 - 750	1	\$ 568,000
751 - 1,000	0	0
1,001 - 2,000	9	14,717,000
2,001 - 5,000	19	59,332,000
5,001 - 10,000	26	189,743,000
10,001 - 20,000	21	313,609,000
20,001 - 50,000	39	1,192,818,000
Over 50,000	20	2,806,640,000
TOTAL	135	\$4,577,427,000

c. The banks, which are members of these State Funds, are concentrated in small geographical areas where similarity of economic conditions might place great pressure on all of these banks at one time. Similarly, panic conditions resulting in runs on banks are much more apt to affect all of the banks in a concentrated area than in the whole United States.

3. The mutual savings banks have always been in a vulnerable position and need insurance for this reason. Their deposits, in practice, are payable on demand whereas their assets consist largely of mortgages and securities which cannot be liquidated in bulk without delay or loss. Consequently, whenever a mutual savings bank experiences a run or finds its assets frozen, due to adverse business conditions or a poor choice of assets, it is compelled to depend for assistance on the commercial banks of its community. While statistics are not available to show the extent of the assistance given by commercial banks to mutual savings banks, the statement has frequently been made by commercial bankers that such assistance has been a matter of some importance. The commercial bankers render such assistance reluctantly. They feel that savings banks, which pay higher rates of interest on deposits, are detracting deposits from the commercial banks and that consequently the mutual savings banks should not ask for assistance from their competitors. However, the commercial bankers realize that the failure of a mutual savings bank in their community would be a great shock to business confidence and consequently they support the mutual savings banks whenever the need arises. With State insurance plans in effect, it is probable that the commercial banks will not feel as strong a compelling motive to come to the assistance of mutual savings banks, as heretofore.

NOTE: At this point it should be stated that liquidity and solvency are inter-related matters. The danger of a run is that the bank may not be able to find sufficient cash to pay depositors on demand, and may be forced to close. In that case, many of its assets would shrink in value under the management of a receiver. The solution for this danger is greater liquidity. The mutual savings banks of several States have attacked this problem by establishing liquidity plans of varying types such as loan pools, the Savings Bank Trust Company of New York, and the allied Institutional Securities Corporation. However, these funds, or lending agencies, can only make loans on good assets to give them greater liquidity. They cannot act as a substitute for deposit insurance which protects the depositor against loss if a bank gets into difficulties through the acquisition of poor assets, or a general depression, which reduces the collectability of all assets.

4. A more remote hazard of the savings banks is the possibility of inflation in the United States. Savings banks are always particularly vulnerable in a period of rapidly rising prices. Time deposits are converted into demand deposits with great rapidity. At the same time no one has any desire to repay his debts. If inflation of this sort should come in the United States, the savings banks would do well to ally themselves with some insurance organization which is not composed entirely of their own type of institution.

III. The managements of the Two State Insurance Funds have inadequate powers.

1. They have no power to deny admission of any operating or newly organized mutual savings bank.

2. They have no power of examination of insured banks, either before admission to the Fund, or afterwards.

3. They have no power of issuing or enforcing regulations except that in Massachusetts the Trustees of the Fund may make such regulations and ask for such information from the Banking Commissioner as meet the Commissioner's approval.

(The management of the use of the Insurance Fund in each State is in the hands of representatives chosen by the savings banks but a political appointee has absolute control over the banks which are members of the Fund.)

4. In New York, the Superintendent of Banks may exempt any banks from payments into the Fund if he sees fit in view of the condition of the bank, thus working a hardship on the other participating banks.

5. If the management of the New York Fund makes a loan to a bank, the borrowing bank is not obligated to make any payment on this loan until the Superintendent of Banks has certified the bank as being in a safe and sound condition.

IV. General objections to the State Funds.

1. A false assumption is used as the basis for the diminutive size of the State Insurance Funds. The mutual savings banks claim to be stronger and more stable than commercial banks because losses from mutual savings bank failures have been very small. According to savings bank memoranda, the total losses in mutual savings bank failures from 1843 to 1934 have been only \$9,743,000. Hence, the mutual savings banks are justly proud of their failure record. However, this record does not tell the whole story as to assistance received by mutual savings banks in the past, and it has no significance for the future. A better basis for determining the necessary size of the Insurance Funds would be to examine the records of the insured mutual savings banks at the present time, and to appraise the likelihood of failure among this group.

Using the State of New York as an example, since the largest group of mutual savings banks operates in this State and certain fundamental information regarding the mutual savings banks of New York is available, we can make the following statements regarding the recent condition of these banks:

a. From examination reports of New York mutual savings banks in the first half of 1934, it was determined that total losses in those banks amounted to \$272,000,000, as compared with net surplus of \$590,000,000.

b. In 24 mutual savings banks, the losses were larger than the surplus account. These 24 banks had deposits of \$894,000,000 out of total deposits in New York mutual savings banks of \$4,991,000,000.

c. The New York mutual savings banks had "other real estate", "potential other real estate" and "real estate mortgages in arrears 6 months or more", amounting to \$742,000,000 as compared with their net surplus accounts of \$590,000,000.

d. The New York mutual savings banks had asked for capital funds from the Reconstruction Finance Corporation amounting to nearly \$24, 000,000. In addition, the affiliated Savings Bank Trust Company and Industrial Securities Corporation had secured a large commitment from the Reconstruction Finance Corporation. Combining these two amounts of government aid, the mutual savings banks of New York were found to have received about as much assistance from the government proportionately as the commercial banks of the country had received.

From the foregoing, it is clear that the New York mutual savings banks had serious weaknesses in 1934 in the form of frozen assets, losses, and need for government assistance. These factors should be taken into consideration in any scheme of insurance as a more important group of factors than the failure record of the past.

2. The limitation of these funds to individual States raises some problems due to the fact that mutual savings banks, which are not insured, are located in adjacent portions of neighboring States. For instance, savings banks in western Massachusetts are decidedly interested in the fact of mutual savings banks in southern New Hampshire. A failure in New Hampshire might precipitate runs on nearby banks in Massachusetts, thus causing problems for the Massachusetts State Fund, from a source outside the State. It might occur that the affected savings banks in Massachusetts would feel compelled to come to the financial assistance of the New Hampshire savings bank by the use of their own assets. In such a case, a contribution by these Massachusetts savings banks to their own State Insurance Fund would have been a useless waste of money.

3. An inherent weakness of any State Insurance Fund is that it must stand on its own feet, whereas a Federal Insurance Fund has the presumptive power to lean on the United States Treasury for support if its funds are exhausted in carrying out a national policy. In the case of the Federal Deposit Insurance Corporation, the law gives the Corporation the right to sell its debentures up to three times the amount of its capital. If the public will not buy these debentures, it can be presumed that the Federal Treasury will buy them at par. Adding this borrowing feature to the greater resources in the fund at present, the Federal Deposit Insurance plan is definitely superior to the State plans.

CONNECTICUT

THE SAVINGS BANKS' DEPOSIT GUARANTY FUND OF CONNECTICUT, INCORPORATED

SUMMARY

Established: In 1933 as The Mutual Savings Banks' Central Fund, Incorporated.
Converted to the present organization in 1943.

Purpose: The original Fund was intended solely to provide liquidity to member banks through temporary financial assistance. In practice, assistance which effectively protected the depositors was rendered to members. By the legislation of 1943, the Fund was ordered to "guarantee and protect all the deposits in member banks".

Number of Member Banks: On December 31, 1955 there were 71 savings banks in Connecticut, of which 65 were members of the Fund, 5 were insured by the Federal Deposit Insurance Corporation, and one bank was not affiliated with either insurance plan.

Amount of Insured Deposits: \$1,818,385,000.*

Amount of Fund Available for Insurance of Deposits: \$22,644,423.*

Ratio of Fund to Insured Deposits: 1.25 percent.* (For the Federal Deposit Insurance Corporation the ratio of the deposit insurance fund to insured deposits June 30, 1956 was 1.48 percent, while the ratio of the fund to total deposits in insured banks was 0.82 percent.)

Form of the Fund: 99.5 percent in cash or United States Government securities.

Potential Other Resources: The corporation may borrow money, contract debts, and pledge as security property of the corporation. By action of a majority of its directors, the Fund may call upon the member banks for deposits aggregating one-half of one percent of each member's deposit liability. By vote of banks having deposit liabilities equal to 75 percent of those of all members, the directors of the Fund may be authorized to call upon the members for additional deposits.

Annual Assessments: One-twenty-fifth of one percent of each member's deposit liability.

Ownership of the Fund: Upon the termination of membership of any bank it shall be entitled to withdraw, in the manner prescribed by law, its share of the Fund's assets. The share of each bank is determined by the ratio of its deposits in the Fund to the deposits there of all members. While the Fund has unlimited life, it may be terminated upon an affirmative vote of 66 2/3 percent of the members having at least 66 2/3 percent of the total deposit liability of all members. The assets would then be divided in the ratio described above.

* September 30, 1956.

Cost of Insurance: The member banks are required by law to treat their annual premium payments to the Fund as part of their current expense. However, the income of the Fund which is not used for operating expenses, meeting losses, or payment of dividends remains in the surplus account. Each bank, upon withdrawal from membership, or upon the termination of the corporation's existence, will be entitled to share in the Fund's assets. The share of each bank is determined by the ratio which its deposits in the Fund bear to the total of such deposits. Therefore, the ultimate cost to members of the services and protection received from the corporation cannot be determined until liquidation of the Fund's assets is completed.

Book Value of Fund's Assets, Sept. 30, 1956	\$22.6 million
Total Deposits and Annual Assessments paid by Members prior to Sept. 30, 1956	19.8 million
Excess of Book Value over Deposits and Assessments	2.8 million
Total Dividends paid to Members	1.4 million

If the member banks were allowed a return on their deposits in the Fund at the rate of 2 3/4 percent this would, by September 30, 1956, amount to \$5.6 million. The cost to member banks of the services and protection received would, therefore, have been approximately \$1.4 million.

Estimated assessments these banks would have paid to the Federal Deposit Insurance Corporation had they been insured by it in the years 1935-1956 total \$13.9 million.

Activities of the Fund: Since 1933, five banks which needed financial assistance have received advances from the Fund. Four of these banks have continued to operate, while the fifth bank was merged with another member bank. No loss was suffered by the depositors, and the total loss to the Fund was \$250,000.

Officers of the Fund regard the actions taken to prevent member banks from experiencing difficulties to be their most important work. Analysis of bank examination reports, consulting with representatives of the member banks, and answering the inquiries of members are methods by which the Fund endeavors to keep the banks in a sound condition.

Concentration of Risk: Total deposits of member banks December 31, 1955 were \$1,715 million. Of this, \$669 million, or 39 percent were in the five largest banks; while \$962 million, or 56 percent were in the ten largest banks. The Deposit Guaranty Fund held assets valued at \$21.6 million at that time.

Differences between the types of assets held by the members of The Savings Banks' Deposit Guaranty Fund of Connecticut and by all the banks insured by the FDIC, December 31, 1955, are shown below.

	<u>Members Conn. Fund</u>	<u>All Banks In- sured by FDIC</u>
Percentage of total assets:		
Cash and balances with other banks	2.6%	20.4%
U. S. Government obligations, direct and guaranteed	32.5	28.7
Other securities	16.1	8.3
Loans and discounts	47.3	41.2
Other assets	1.4	1.4
Total capital accounts	9.9	7.3

The ratio of "risk assets" to total assets was 45.5 percent for members of the Connecticut Fund and 43.4 percent for all banks insured by the FDIC. ^{1/} The percentage of total capital to "risk assets" was 21.7 for the Connecticut banks, and 16.8 for all banks insured by the FDIC. However, the loans of the members of the Connecticut Fund are highly concentrated in the field of real estate, and these loans are largely limited to a small geographical area. The relative importance of these loans is shown below.

	<u>Members Conn. Fund</u>	<u>All Banks In- sured by FDIC</u>
Loans on real estate as a percentage of total assets	46.6%	14.8%
Loans on real estate as a percentage of total loans	98.5	35.3
Loans insured or guaranteed by FHA or VA as a percentage of loans on real estate	41.5	47.7
Total capital accounts as a percentage of real estate loans not insured or guaranteed by the FHA or VA	36.3	94.6

^{1/} "Risk assets" are total assets less cash, balances with other banks, cash collection items, U. S. Government obligations direct and guaranteed, and loans insured or guaranteed by the FHA or the VA.

THE MUTUAL SAVINGS BANKS' CENTRAL FUND, INCORPORATED

Establishment: In 1933 the legislature of the State of Connecticut passed a statute authorizing any fifteen or more mutual savings banks which had been doing business in the state on December 31, 1932 to form a corporation without capital stock for the purpose of providing liquidity to member banks. Only one such corporation could be in existence at any time. Of the seventy-three banks then eligible to participate in the formation of such a corporation sixty-six became members of The Mutual Savings Banks' Central Fund, Inc. which was established in 1933.

Sources of Funds: The assets of the corporation were derived from deposits which were required from the member banks, and from earnings on the investments. The deposits with the Fund were evidenced by negotiable certificates of deposit. Under the terms of the law these deposits were not liabilities of the Fund to the depositing members, but were to be returned pro rata to such banks with interest at such times as surplus funds were, in the judgment of the board of directors, available. Nevertheless, the members were permitted to carry the certificates on their books at the values which the Bank Commissioner should from time to time set upon them, and to use them as collateral for borrowing.

Powers: The Mutual Savings Banks' Central Fund was given the power to borrow money and contract debts, and could mortgage or pledge its property as security therefor. Membership was voluntary for banks meeting the requirements set up by the directors of the Fund. Members could be required by the corporation to furnish information and statistics regarding their condition and investments, and the directors of the Fund could make recommendations to such banks. Expulsion of members was possible, and withdrawal was allowed under certain con-

ditions. When any bank ceased to be a member of the corporation it was entitled to its proportionate share of the assets of the corporation determined by the ratio of its deposits in the Fund to such deposits of all the members. However, the bank could receive its share only as and when sufficient assets of the corporation were liquidated.

Operations: The Fund was set up to provide liquidity to mutual savings banks, and it had no power to directly insure the deposits. However, this result was achieved through loans and advances made for liquidity purposes. Loans and advances could be made by the corporation with or without security. The corporation was also given the power to buy any assets owned by mutual savings banks at any agreed value, and with or without repurchase agreements. Mutual savings banks need not comply with repurchase agreements or repay advances made by the corporation unless the Bank Commissioner certified that the bank was in a condition to do so, or unless the bank had a surplus equal to three percent of its deposit liability. In the event of liquidation of a bank to which the corporation had outstanding advances or an unfulfilled repurchase agreement the corporation's rights were subordinated to those of the depositors.

Five banks were assisted through advances made by the corporation. At the end of the fiscal year 1942 outstanding advances were \$2,150,000, the largest of any year. At that time the assets of the Fund were valued at \$6,602,123. Four of the banks aided in this manner continue to operate, while the fifth was merged with another member bank without loss to the depositors. The loss to the corporation in the form of advances which were not repaid amounts to \$250,000.

THE SAVINGS BANKS' DEPOSIT GUARANTY FUND OF CONNECTICUT, INC.

Organization: In 1943 a major change was made in the law. The corporate existence of The Mutual Savings Banks' Central Fund, Incorporated was confirmed

and the name of the corporation was changed to "The Savings Banks' Deposit Guaranty Fund of Connecticut, Incorporated". The corporation is managed by a board of directors. The statute specifies that the minimum number of directors shall be nine and the maximum fifteen. These directors, chosen by the member banks in the manner prescribed by the by-laws, must be officers or members of the governing boards of member banks. The corporation is under the general supervision of the Bank Commissioner of the State of Connecticut and makes reports to him.

Powers and Responsibilities: By this legislation and subsequent amendments the corporation was directed, to the full extent of its resources, to guarantee and protect all the deposits (legal limit per depositor is, in general, \$20,000 exclusive of dividends) in member banks. The corporation was given power to purchase assets from any member bank, with or without a repurchase agreement, at a value to be determined by the corporation's board. The corporation was also authorized to make advances to member banks; such advances were not to constitute nor to be stated on its books as a liability of the member bank until the corporation presented its claim for repayment. Under certain circumstances the corporation may appoint one or more members to the board of directors or trustees of a member bank to which a loan or advance has been made or is to be made, or from which assets have been or are to be purchased at a price above market value. Such appointees could serve until the loans or advances were repaid and all repurchase agreements satisfied, or until the unsatisfactory conditions had been corrected to the satisfaction of the Bank Commissioner. When the Bank Commissioner has determined that a member bank is in such condition that he should restrict its payment or acceptance of deposits

or doing other business he must notify the corporation. The corporation then has the option of either restoring the bank to a satisfactory condition or making available to the Commissioner as receiver or liquidating agent of the bank such funds as are necessary to pay the bank's depositors in full. The corporation would thereupon be subrogated to the rights of the depositors against the bank.

The law provided that within sixty days after June 2, 1943, each member bank, in addition to all deposits made or called before that date was required to deposit with the corporation a sum in cash equal to one-fourth of one percent of its deposit liability. Two deposits similarly calculated were to be made within one and two years subsequently. In addition, the corporation was given the right to require further payments aggregating not more than one-half of one percent of each member bank's deposit liability. All deposits made by member banks were evidenced by transferable certificates of deposit, which could be used by such banks as collateral for loans. The banks were authorized to carry these deposits on their books as assets at values to be determined from time to time by the Bank Commissioner. Subject to the by-laws the directors of the corporation may wholly or in part, or temporarily exempt from any call for deposits any member banks if the directors believe the exemption to be expedient. By vote of the member banks having deposit liabilities equal to seventy-five percent of the total deposit liabilities of all members, the directors of the corporation may be authorized to assess additional deposits based upon the members' deposit liabilities. Any bank which refused to assent to the additional assessment was given the right to resign its membership. Beginning January 10, 1944, each member bank was also required

to make annual premium payments equal to one-twenty-fifth of one percent of its deposit liability on the previous September 30. These payments were to be treated by the member banks as part of their current expense.

The funds of the corporation are, except as otherwise provided in the statute, to be invested only in (1) certain bankers' acceptances and bills of exchange; (2) obligations issued or fully guaranteed by the United States; (3) obligations of the States of Connecticut, New York, and Massachusetts; or to be deposited in national banks located in Connecticut or in trust companies which are members of the clearing house associations located in the city of New York or the city of Boston.

Other powers of the corporation include that of becoming a member of the Federal Reserve System. The corporation has power to borrow money and to contract debts when necessary for the transaction of its business or for any lawful purpose of its incorporation, and may mortgage or pledge its property. Any mutual savings bank may loan to the corporation if the bank commissioner gives his approval. The corporation was given power to require member banks to submit information and statistics. This is in addition to the information received from the bank commissioner, who was directed to make available to the corporation the records and files of his office concerning member banks and any bank making application for membership. Another power granted to the corporation was that of making written recommendations designed to place or preserve member banks in condition to properly safeguard their depositors. A member bank which refused to comply with such recommendations could, under certain circumstances, be expelled from membership in the corporation. Such bank would have approximately the same rights

with regard to the return of its proportionate share of the assets of the corporation as would a bank withdrawing voluntarily (see below).

Provision was made for the acceptance of new members into the corporation. Each member bank was given one vote at meetings of the corporation, and provision was made for management of the corporation by a board of directors in accordance with the by-laws. Members were given the privilege, under certain conditions, of withdrawing from the corporation. When a bank's membership ceased it would be permitted to withdraw its proportionate share of the total assets of the corporation. 2/ The specified manner of withdrawing such proportionate share was: Cash, to the extent of the member bank's fractional interest in the cash and in each of the securities of the corporation which is, in the judgement of the board of directors, readily marketable, at market value; the balance to be paid by the issuance of a certificate or certificates of fractional participation in the assets of the corporation. The holder of a certificate would be entitled to participate fractionally in any proceeds resulting from the liquidation in cash of such assets as they were liquidated by the corporation. In lieu of the issuance of a certificate, the corporation may pay to the withdrawing member bank a sum in cash which has been agreed upon by a bank and the directors as constituting final settlement of the member's deposit. If a certificate or certificates have been issued, the corporation may purchase the same for a sum in cash which has been agreed upon by the bank and the directors of the corporation as the reasonable value thereof.

2/ Each member's share would be based on ratio of its deposits in the corporation to such deposits by all members.

The corporation's existence may be terminated by affirmative vote of not less than sixty-six and two-thirds percent of the total number of member banks having not less than sixty-six and two-thirds percent of the total deposits of all member banks. If the corporation is so terminated the directors shall liquidate its assets and distribute the proceeds among the member banks in proportion to the total deposits of each member in the corporation.

Member banks whose deposit ratio is less than the average for all members, may, from time to time, make additional deposits with the corporation. 3/ Members whose deposit ratio exceeds the average may be exempted by the directors of the corporation from making further deposits (to the extent of the existing excess deposits).

Dividends: The board of directors of the corporation may pay dividends to member banks as follows: Whenever the deposit liability ratio exceeds one and one-half percent, to the extent of the excess; or whenever the surplus of the corporation exceeds twenty-five percent of the total deposits of all member banks with the corporation, to the extent of such excess, provided such dividend does not reduce the deposit liability ratio below one and one-quarter percent; or to the extent of seventy-five percent of net premium income, provided such dividend does not reduce the deposit liability ratio below one and one-quarter percent. 4/ Whenever the deposit liability ratio of the

3/ The deposit ratio is defined by law as the deposits to the credit of the bank with the corporation divided by the bank's deposit liability.

4/ The deposit liability ratio is defined by law as the ratio of the total value of the cash and marketable securities of the corporation, excluding advances, loans, repurchase agreements, mortgages and real estate, as determined by the board of directors, to the deposit liability of all member banks. Net premium income is defined as gross premium income for the most recent fiscal year less the expense of operation for that year, and less twenty-five percent of the gross premium income which has been added to surplus.

corporation shall exceed five percent, the board of directors shall declare and pay a dividend to the extent of such excess. The board of directors may pay a dividend to a member bank by applying such dividend to the reduction of any advance which the corporation has made to that bank or any other liability of such bank to the corporation. A portion of any dividend payable to a member bank, whose deposit ratio is less than the average shall be paid by crediting, as a deposit in the Fund, that part of the dividend necessary to raise such bank's deposit ratio to the average. The corporation shall issue the member bank a certificate of deposit for such portion of the dividend so credited. Under certain conditions, the directors of the corporation may purchase certificates of deposit from member banks whose deposit ratios exceed the average deposit ratio.

Operations of the Fund: The Guaranty Fund has operated during a period in which the member banks have had little occasion to make use of its financial resources. However, the directors of the corporation have adopted a program designed to keep the member banks strong and operating soundly. This is carried on through an analysis of the examination reports of all member banks by the Advisory Committee of the Fund. When unfavorable trends are observed in these reports the representatives of the Fund discuss the matter with the member and endeavor to have corrections made. The office of the Fund also acts upon more than 300 inquiries from member banks each year. These inquiries relate to a variety of subjects including portfolio management, internal operating problems of banks, public relations, and proposed changes in the banking law. The officers of the Fund regard the analytical and advisory services rendered to the members as the most important work done by the Fund office.

Since the organization of The Mutual Savings Banks' Central Fund in 1933 the member banks have paid to that corporation and its successor, The Savings Banks' Deposit Guaranty Fund of Connecticut, Incorporated, deposits of \$13,501,594, and annual premium payments totaling \$6,290,075. While payments into the Fund by member banks total only \$19,791,669, the book value of its assets on September 30, 1956 was \$22,645,329. The income of the Fund, which in recent years has been derived approximately 60 percent from premium payments made by members and 40 percent from the return on investments, has been more than sufficient to pay the operating expenses and absorb the \$250,000 loss on advances. Since the Funds were started, ten dividends have been paid to members at rates ranging from one to two percent and totaling \$1,357,762. The cost of operating the Fund averages approximately five percent of its gross income and, aside from the dividend payments, the remainder is transferred to surplus, which on September 30, 1956 totaled \$9,142,829.

Outstanding advances to aid member banks were at a peak of \$2,150,000 in 1942. These had been entirely repaid or charged off by 1951. On September 30, 1956 there was due the Fund under a membership agreement the sum of \$105,237. All other assets of the Fund were in cash or obligations of the United States Government. The assets of the Fund amounted, on September 30, 1956 to 1.25 percent of the insured deposits.

Cost of Insurance: The statute provides that if the Fund is ever terminated, and the assets liquidated, the proceeds must be distributed to the member banks. Therefore, the cost to the members for protection and services rendered by the Fund cannot be determined until such distribution has been com-

pleted. Had the assets of the Fund been liquidated for book value on September 30, 1956 the members could have received approximately \$22,644,000. This is \$2,852,000 more than the members paid into the Fund, and is in addition to the dividends of \$1,358,000 which were distributed previously. It is estimated that the cost to these banks of membership in the Federal Deposit Insurance Corporation for the period 1935-1956 would have been \$13.8 million.

There has, however, been another cost to the member banks for the protection and services which they have received from the Fund. A study of their statements of earnings indicates that the member banks could have earned a return in excess of 2 3/4 percent on the sums which they deposited with the Fund. The income, calculated at this rate upon the members' deposits in the Fund, would have exceeded \$5.6 million in the period 1934-1956.

Risks Assumed by the Fund: The sixty-five banks which were members of the Savings Banks' Deposit Guaranty Fund on December 31, 1955 held deposits of \$1,714,650,325. Of these deposits \$669,305,140, or 39 percent were in the five largest banks. The ten largest banks held \$962,447,651, or 56 percent of the total deposits. The Fund had assets of \$21,615,446 on that date.

The ratio of assets of the Fund to the deposits in member banks has decreased in recent years. From 1.47 percent in 1951 the ratio declined to 1.25 percent September 30, 1956. The deposit insurance fund of the FDIC was equal to 1.48 percent of insured deposits and 0.82 percent of total deposits in insured banks June 30, 1956.

Although the mutual savings banks in Connecticut have an excellent record of safety, The Mutual Savings Banks' Deposit Guaranty Fund is subject to the risks inherent in any insurance plan which is confined in its operations to a small area and to a limited number of institutions of a single type. There is danger that all, or a large portion, of the members may be affected at about the same time by adverse regional economic conditions. Should a few banks in the State experience difficulties, distrust could easily be communicated to the depositors of other members.

Mutual savings banks concentrate their loans in the field of real estate. The fact that these loans are largely confined to a small geographical area adds to the risk assumed by a guaranty fund the membership of which is limited to savings banks. Loans on real estate constituted 98.5 percent of the loans of members of the Deposit Guaranty Fund on December 31, 1955. Of these loans, 41.5 percent were insured or guaranteed by the Federal Housing Administration or the Veterans Administration. Real estate loans not insured or guaranteed by the FHA or VA constituted 27.3 percent of total assets of members of the Connecticut Fund, but only 7.7 percent of the total assets of all banks insured by the FDIC. The total capital of members of the Fund was equal to 9.9 percent of their assets, compared with a figure of 7.3 percent for all banks insured by the FDIC; the ratios of capital to "risk assets" were 21.7 percent and 16.8 percent respectively. However, the capital of the members of the Fund represented only 36.3 percent of their real estate loans which were not insured or guaranteed by the FHA or VA, compared with a ratio of 94.6 percent for all banks insured by the FDIC.

It is doubtful that the Fund could substantially increase its assets through assessments on the member banks in a period of severe regional or national economic stress.

EXCERPT FROM CONNECTICUT LAW REGARDING DEPOSIT GUARANTY

C. 1. DEPOSIT INSURANCE - Chapter 275 - S.B. 188 - Amends 1498c, 1234e - Effective when certain provisions of bill are carried out.

Changes the present Mutual Savings Banks' Central Fund, Inc. to "The Savings Banks' Deposit Guaranty Fund of Connecticut, Inc." and gives corporation unlimited duration. (For mutual savings banks only.)

Corporation may:

1. Lend money to members with or without security.
2. May buy assets from member banks at values set by directors of corporation.
3. May make advances to member banks.

Whenever bank commissioner certifies that any member bank which has been aided is in such condition that he would take possession if it were not for such aid, or whenever he shall request it, the corporation may place one or more persons on board of aided bank until aid has been repaid or conditions are satisfactory to commissioner.

Whenever commissioner determines that condition of member bank requires exercise of his statutory restrictive powers, he must notify corporation, which shall then restore member bank to condition satisfactory to commissioner or make available to commissioner as receiver or liquidator such funds as may be necessary to pay each depositor in full.

Corporation may not assist non-member banks.

Within 60 days of effective date of act each member bank must deposit with corporation one-fourth of 1% of its deposit liability. Within one year thereafter, another one-fourth of 1%. Within one year after that, another one-fourth of 1%. Corporation may require in addition further deposits up to one-half of 1% of deposit liability. (These sums, together with what has already been paid to present Central Fund, should given new corporation assets of minimum of \$12,000,000 or, if extra one-half of 1% is called, maximum of \$16,000,000 - without counting annual payments as below.)

In addition to above, each member must pay annual premium of one-twenty-fifth of 1% of deposit liability. This is an annual expense as distinguished from the other payments which are "principal" and are to be evidenced by certificates of deposit.

In addition to all the above further assessments without limit may be made when voted by member banks whose deposit liabilities aggregate at least 75% of deposit liabilities of all members. Any bank objecting to any such "extra" call may resign from the corporation.

Whenever liquid assets of the corporation exceed 1 1/2% of total deposit liabilities of all members, corporation may pay dividends to the extent of such excess. Whenever liquid assets exceed 5% of total deposit liabilities of all members, such excess shall be disbursed.

General powers of corporation cover investment of funds, right to join Federal Reserve System, borrowing powers, right to require information from members, right to expel members who refuse to act upon strengthening recommendations made by corporation.

Other provisions cover organization and by-laws.

Member banks not liable to corporation in any way may resign on 18 months' notice, and may get proportionate share of assets of corporation.

Corporation may be terminated by vote of two-thirds of member banks having not less than two-thirds of total deposit liability of all members.

Corporation under general supervision of bank commissioner and must report annually to him. He may make confidential and pertinent information available to corporation and in general assist it to improve member banks.

Act takes effect when banks which have 75% of deposit liability of all mutual savings banks in state join and joining has been certified to secretary of state.

March 3, 1943

MEMORANDUM TO -

Mr. Francis C. Brown,
Solicitor.

IN RE: Bill pending in the Connecticut Legislature expanding the present Mutual Savings Bank Central Fund, Inc. so as to insure deposits of mutual savings banks and changing the name of said organization to that of "Savings Bank Deposit Guaranty Fund".

There is attached hereto the clipping of an article appearing in the American Banker of yesterday headed "Bill to insure deposits of Connecticut savings banks."

This bill, according to the article, would amend the Charter of the present "Mutual Savings Bank Central Fund, Inc." in Connecticut so as to broaden same for the establishment of a fund for the guarantee of savings deposits, at the same time changing the name to that of the "Savings Bank Deposit Guaranty Fund".

The bill apparently constitutes nothing new in legislation in New England but would put into effect in Connecticut an insurance somewhat similar to that of the FDIC - a deposit insurance for deposits of mutual savings banks that is already in existence in Massachusetts and New York and in substance (though not in name or specific provision) in New Hampshire.

Two plans, it may be said, were developed for the protection of their Mutual Savings Banks in New England and New York during the financial emergency following 1929: one, the creation of a pool or fund upon which they could draw, not always limited to a crisis, the other, the establishment in connection or association therewith of insurance provisions to cover their deposits.

The origin of the plan of establishing a fund for the support of savings banks in emergencies may be traced to the establishment in Massachusetts, pursuant to statute, of a central fund designated as being "for the purpose of protecting depositors in mutual savings banksas a measure of relief in the existing financial emergency". This Act constituted Chapter 44 of the Massachusetts Laws of 1932 approved March 2, 1932. This was amended to add the insurance features by an Act which

March 3, 1943

became Chapter 43 of the Laws of 1934, approved February 21, 1934, styled:

"An Act providing for the establishment of a fund for the insurance of deposits in certain savings banks." (Mass. Laws of 1934)

Similar action to that covered by the Act of March 2, 1932 creating the general pool or fund, was taken in three other states: Connecticut, on June 9, 1933, passed what it calls its "Mortgage Liquidity Act"; in 1933 Maine (chap. 21, Laws of 1933) and New Hampshire (chap. 298, Laws of 1933) authorized the organization by all banking institutions of what was referred to as Clearing House Associations to operate to an extent, but not as broadly as the pools or funds authorized in Connecticut, Massachusetts and New York for their mutual savings institutions.

In the same year, 1933, Maine adopted an Act (chap. 288 Laws of 1933) expressly authorizing their trust companies to acquire Federal Deposit Insurance.

In New Hampshire the Savings Bank Association adopted resolutions (Nov. 15, 1933) strongly condemning the Federal Deposit Insurance Act (Glass-Steagall) of 1933. However, at the same time they adopted Articles of Association of New Hampshire Savings Bank Association, setting up an organization the purpose of which partially is stated to be "for mutual aid and benefit and for further protection, safety and assurance of their depositors." A "General Fund" is provided for and among the purposes for which it may be used is "By making deposits to a guaranty fund or deposits junior or subordinate to other deposits".

New Hampshire has a law requiring every savings bank annually to pass a sum to the credit of a guaranty fund which fund shall not be used to pay dividends. A further provision is to the effect that "until the general deposits of a guaranty savings bank, or a bank conducted as a guaranty saving bank, shall exceed one million dollars, its paid-in guaranty fund shall at all times be equal to ten per cent. of its general deposits".

With reference to New York, a bill was presented to the legislature in 1932 to authorize the establishment of a central fund in support of savings banks. This resulted from an investigation by a committee of New York banks begun in 1932. This bill failed to pass. The Banking Board of New York, however, in 1933 adopted a resolution July 7, 1933 authorizing the savings banks to proceed to establish such a fund.

On April 23, 1934 the New York Legislature adopted an Act which became Chapter 259 of the New York Laws of 1934, approved April 23, 1934. This authorized the creation of ".....a fund.....for the purpose of insuring deposits and/or otherwise protecting the interests of depositors in the banks (hereinafter referred to as member banks) which become parties to the said agreement".

March 3, 1943

On April 26, 1935 Connecticut broadened its plan in some particulars along the same general lines that are covered by the New Hampshire and New York Acts. An amendment was adopted, also, in 1937. An amendment in Massachusetts in 1936 somewhat broadened their Act.

Thus it is that four New England States, Connecticut, Maine, Massachusetts and New Hampshire, have legislation on their books authorizing the establishment of what is usually called "Central Funds" or "General Funds", upon which to draw in the case of emergencies and in some cases for the succor of ailing individual mutual savings banks at any time. New York, as stated, also has authorized such a fund.

This movement has been popularly referred to as "Co-operative Banking for Savings Banks" but must not be confused with the "Co-operative Banks" in Massachusetts which are practically the same as building and loan associations in other states and with "The Co-operative Central Bank" which, in addition to "The Mutual Savings Fund, Inc." referred to above as established in Massachusetts by Act of February 21, 1934, was, also, created by the Massachusetts Legislature by Act of March 9, 1934 to serve the same purpose for their building and loan associations (called Co-operative Banks) as the Mutual Savings Fund does for their mutual savings banks. The institutions set-up like those just mentioned experienced in Massachusetts and New York (but only there) the same development relative to insurance deposits now taking place in Connecticut of having a deposit insurance feature added.

Of these five states, legislating in the manner stated, two of them, namely, Massachusetts and New York as stated, have authorized the insurance of deposits in mutual savings banks in connection with or associated with the central fund already mentioned. This bill, in Connecticut, therefore, follows the line of action in Massachusetts and New York.

Connecticut has been the one state above all others that has antagonized federal deposit insurance since the inception of same. Although requested courteously at each session of their Legislature until the last two to give consideration to our proposals, the State banking authorities have been more than unreceptive. In fact, with the exception of our preferred stock draft in somewhat changed form, Connecticut has never enacted any of our proposals. On the contrary, the Legislature took occasion in 1935 to enact the following provision, which is contained in their banking laws as S. 1522c (1935):

"No state bank and trust company shall become a stockholder, shareholder or member of or retain its present membership in any corporation, association, organization or fund organized for the purpose of or insuring deposits if such

March 3, 1943

state bank and trust company shall be required to assume an unlimited liability of any character or shall be required to purchase stock or shares in any such corporation, association, organization or fund or pay assessments or other charges for such insurance in an unlimited amount."

Indirectly, they have thus recognized the right which, in fact, has been exercised by many of their banks and recognized by their State banking authorities from the institution of the Federal Deposit Insurance Corporation that their banking institutions may acquire insurance in said Corporation since the amending Act of 1935 was passed.

The foregoing Connecticut Act was enacted in 1935, but prior to the Federal Act of 1935, largely revising the FDIC Act, including the incorporation of a definite provision for assessment and thus eliminating any such "unlimited liability", as is referred to in the Connecticut Act. As of even date herewith, I am informed that the FDIC is insuring the deposits of the following classes of banking institutions in Connecticut:

Mutual Savings Bank	1
State institutions, members of the Federal Reserve System	8
State institutions, non-members	40
National Banks	52

As of this same date the FDIC is insuring the following Mutual Savings Banks throughout the U. S., which are not members of the Federal Reserve System:

Connecticut	1
New York	9

(Two have become insured on and since Jan. 1, 1943 - the Bowery Savings Bank on that date and the Mechanics Savings Bank of Elmira, N.Y. on Feb. 11, 1943)

Indiana	2
Maine	6
Maryland	2

March 3, 1943

Minnesota	1
New Jersey	13
Ohio	3
Oregon	1
Pennsylvania	6
Vermont	8
Washington	2
Wisconsin	1

In addition, the following which are members of the Federal Reserve System are on the list of insured savings banks:

Indiana	1
Wisconsin	2

An interesting side light upon the situation in Connecticut is afforded by an extract from a letter of Dec. 7, 1942 to Supervising Examiner Stillman by Mr. Harold P. Splain of the Savings Bank of Danbury, Danbury, Conn., which is the one in Connecticut we insure. He has worked out an interesting table showing the advantages of insurance with FDIC as compared with that to be afforded by the Connecticut Bill then in course of preparation. Mr. Splain among other things says:

"I have been interested in examining the report (FDIC for 1941-Ed.) as I have found quite a few interesting facts, all of which are not on the enclosed schedule. In fact, the more I go into it, the more I like the fact that we are insured with you, and the argument - that Connecticut funds might be used in the wild and wooly prairie states to save their wild-cat banks - does not seem to be sustained by fact. I notice that the banks suspended or assisted by the F. D. I. C. were, for the most part, located in those three great Western and Southern states, New York, New Jersey and Pennsylvania."

It is believed that we should keep hands off of this pending Bill in Connecticut. Any thing we might do might antagonize the already antagonistic elements the more.

W. J. Price
Council

**THE ORGANIZATION AND OPERATION
OF
THE GUARANTY FUND**

1933



1953

THE SAVINGS BANKS' DEPOSIT GUARANTY FUND OF CONNECTICUT

HARTFORD, CONNECTICUT

TO THE MEMBER BANK ADDRESSED:

At a recent meeting of the Board of Directors of the Fund it was suggested that a summary be prepared covering a brief historical background of the Fund, the way it operates and the resources it has to meet the responsibilities it assumes. The purpose of this suggestion was to provide officials of member banks with this basic information so that they will have a ready reference for answering inquiries made to them regarding the Fund.

A. BRIEF HISTORICAL BACKGROUND OF FUND

1. The Fund was originally organized in 1933 as a liquidity fund under Connecticut Law to lend such assistance as may be necessary to member banks, under the name of The Mutual Savings Central Fund, Incorporated.
2. While the original Fund did not undertake to guarantee deposits, indirectly it accomplished this purpose effectively by making loans and advances to member banks where needed to assist such banks to carry on and fully recover their strength.
3. The Liquidity Fund was converted to a Guaranty Fund on August 16, 1943 through changes in the law, and from that date on all deposits of member banks have been guaranteed in full.
4. THE LAW STATES THAT THE CORPORATION SHALL TO THE FULL EXTENT OF ITS RESOURCES GUARANTEE AND PROTECT ALL OF THE DEPOSITS IN MEMBER BANKS.
5. The Fund has an unlimited life, is wholly owned by its 65 member banks, and is under the general supervision of the Bank Commissioner of the State of Connecticut.
6. The law provides that the Fund shall be managed by a Board of Directors of not less than 9 nor more than 15, the number to be determined by the By-Laws. The present By-Laws provide for 11 Directors, 9 to be elected by the five divisions of the Savings Banks Association of Connecticut, and 2 to be elected at large by the entire membership of the Fund. Officers are elected and Committees are appointed by the Board of Directors.

B. OPERATIONS

1. The operations of the Fund are based upon two premises: (1) the advisory services rendered to management to help keep member banks strong and operating soundly, and (2) payment of depositors in full in the unlikely case of a liquidation.
2. The advisory services rendered by the Fund to management represent the most important work done by the Fund Office and are the primary steps taken to protect the depositors of member banks by helping to keep the banks strong and operating soundly.
3. The Fund receives under the law examination reports of all member banks from the Bank Commissioner. These reports are analyzed in such a way that the trends thus developed indicate in which direction each member bank is moving. The analysis of each report is reviewed by the Advisory Committee of the Fund, which consists of 6 officials of member banks, any of whom may be Directors. The President of the Fund is ex-officio a member of this Committee.
4. If the trends are adverse, the Advisory Committee directs the Fund Office to discuss the causes of these trends with management, endeavor to correct them, and report back to the Committee.
5. The analyses of member bank examination reports are condensed and recorded on what we call a statistical sheet, which covers the last five examination reports received.
6. These sheets set forth in some detail the various phases of each member bank's operations and a copy of this sheet is sent to each member bank covering its own examination report, after it is reviewed by our Advisory Committee.
7. The Board of Directors may require any information it deems necessary to carry out its responsibilities and is expected to make, and does make, recommendations where necessary.
8. The Board of Directors has the power to expel a member bank if it refuses to respond to a request for information or to comply with recommendations made by the Board.

HOW WELL IS THE GUARANTY FUND EQUIPPED TO MEET THE RESPONSIBILITIES IT ASSUMES?

1. The Guaranty Fund on December 31, 1955 had resources consisting of cash and Government Bonds of approximately \$21,494,943.
2. The ratio of Guaranty Fund assets of \$21,615,445 to member bank deposit liabilities of about \$1,714,650,000 on December 31, 1955 was approximately 1.261%.
3. The combined surpluses and reserves of member banks, together with the total assets of the Guaranty Fund as of December 31, 1955 were 35.6% of member bank deposits invested in risk assets, which are assets other than cash, Government Bonds, guaranteed and insured loans.
4. The Fund as of December 31, 1955 was over ten times the total losses to depositors in Connecticut Savings Banks in the last 83 years, and more than ten times the total advances made to member banks since its inception in 1933.
5. The surplus alone as of December 31, 1955 was nearly 4 times the total losses to depositors in Connecticut Savings Banks in the last 83 years, as well as the total advances made to member banks since its inception in 1933.
6. The strength of our Guaranty Fund is based primarily on the risk involved.
7. As of December 31, 1955, our member banks had book surplus accounts of 11.1% of deposits.
8. The average underwriting valuation for all member banks as of January 15, 1956 was 110.2%, which means that after marking down member bank assets arbitrarily, these banks had on the average \$110.20 for every \$100.00 of deposit liability.
9. Each member bank pays to the Fund a premium of 1/25 of 1% of deposit liabilities as of September 30th each year.
10. All premiums paid to the Fund are intact as all expenses, dividends and losses have been covered by earnings and profits on investments with \$2,607,291 to spare on December 31, 1955.

January 1956

THE INFORMATION CONTAINED IN THIS MANUAL IS FOR THE USE OF OFFICERS, DIRECTORS AND KEY PERSONNEL OF OUR MEMBER BANKS. WHILE SOME OF THE INFORMATION CONTAINED HEREIN MAY BE FOUND IN PUBLIC RECORDS, OTHER INFORMATION IS OF A CONFIDENTIAL NATURE. IT IS THEREFORE REQUESTED THAT ANY USE OF THE INFORMATION CONTAINED IN THIS MANUAL FOR PUBLICATION BE CLEARED FIRST WITH YOUR FUND OFFICE.

The Organization and Operation
of
The Guaranty Fund

The Savings Banks' Deposit Guaranty Fund of Connecticut, Inc.
Room 426, 36 Pearl Street
Hartford, Connecticut

Telephone — Hartford JACKSON 5-6654

Residence Telephones:

F. EARL WALLACE, *Executive Vice President* — Hartford ADAMS 3-6308
JOHN F. MCGOWAN, *Assistant Vice President* — Hartford JACKSON 3-1851

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FOREWORD

As the year 1953 marks the twentieth anniversary of the founding of the Mutual Savings Banks' Central Fund, Incorporated, the predecessor organization of The Savings Banks' Deposit Guaranty Fund of Connecticut, Incorporated, it appeared appropriate to the officers and directors of the Fund that some preparation be made and distributed setting forth briefly the historical background of the Fund, and such factual information as has grown out of its operations and activities during this period.

Therefore, this manual of operations and reference constitutes a review of the activities and the accomplishments of the Guaranty Fund since its inception in 1933. Its main purpose, however, is to provide officers, directors and key personnel with factual data and information recorded in such form that it will be of assistance to those who read it and use it in obtaining a better understanding and more complete knowledge of just how the Fund operates, and how well it is equipped to meet the responsibilities it assumes. It should prove to be of valuable assistance also in the answering of inquiries made to member banks regarding the Fund.

Of necessity, the figures contained in this manual are not as of September 30, 1953, the end of our fiscal year, because such figures could not be obtained and developed between that date and our annual meeting on the following October 23rd. However, it will be our purpose to revise certain figures contained in this manual as soon after our annual meeting as they can be prepared for distribution to our member banks, and to revise this manual periodically as new figures become available.

We realize that some figures and facts no doubt have been omitted in the preparation of this manual. We therefore would welcome suggestions as to how this reference book may be improved so as to better serve the purpose for which it is intended.

OFFICERS, DIRECTORS AND COMMITTEES OF THE GUARANTY FUND

1953 — 1954

OFFICERS

President
Vice President
Executive Vice President
Assistant Vice President and
Assistant Secretary
Secretary
Treasurer

CARLETON A. SCOFIELD, Treas., Ridgefield Savings Bank
HARRY B. L. MARVIN, Vice Pres. & Treas., Deep River Savings Bank
F. EARL WALLACE

JOHN F. MCGOWAN
R. LAMOTTE RUSSELL, Treas., Savings Bank of Manchester
Hartford National Bank and Trust Company

DIRECTORS

FORREST D. ARNOLD
HAROLD V. BOSSA
RALPH W. CHAPIN
ARTHUR H. FRASER
WALTER P. LARSON
HARRY B. L. MARVIN
HAROLD B. MATHEWSON
RALPH W. MATTESON
CARLETON A. SCOFIELD
RICHARD I. WILLIAMS
GEORGE H. WOODS

Exec. Vice Pres. & Treas., New Milford Savings Bank
Pres., Stamford Savings Bank
Treas. & Sec., State Savings Bank, Hartford
Pres., Cromwell Savings Bank
Pres., New Haven Savings Bank
Vice Pres. & Treas., Deep River Savings Bank
Pres., National Savings Bank, New Haven
Vice Pres., Treas., Asst. Sec., Savings Bank of New London
Treas., Ridgefield Savings Bank
Treas., Dime Savings Bank, Hartford
Pres., Bridgeport-People's Savings Bank

EXECUTIVE COMMITTEE

CARLETON A. SCOFIELD, *Ex Officio*
HAROLD V. BOSSA HARRY B. L. MARVIN
HAROLD B. MATHEWSON GEORGE H. WOODS

ADVISORY COMMITTEE

CARLETON A. SCOFIELD, *Ex Officio*
HENRY C. DEMING, *Chairman*
IRVING W. DUDLEY
CARL G. FREESE
CLAYTON F. GREGORY
EDWIN C. NORTHROP

Pres., Berlin Savings Bank, Kensington
Pres., Guilford Savings Bank
Pres. and Treas., Connecticut Savings Bank, New Haven
Treas., Fairfield County Savings Bank, Norwalk
Pres., Waterbury Savings Bank

PAST PRESIDENTS OF THE FUND

- Robert C. Glazier, 1933 - 1943
President (now retired), Society for Savings, Hartford
- George J. Bassett, 1943 - 1944
President (now Chairman of the Trustees), Connecticut Savings Bank, New Haven
- George H. Woods, 1944 - 1945
President, Bridgeport-People's Savings Bank, Bridgeport
- Christopher L. Avery, 1945 - 1946
Chairman of the Board, Savings Bank of New London, New London
- Ralph W. Chapin, 1946 - 1947
Treasurer, State Savings Bank, Hartford
- Philip S. Davison, 1947 - 1948
President, Mechanics and Farmers Savings Bank, Bridgeport
- Charles J. Lyon, 1948 - 1949
President, Society for Savings, Hartford
- Kenneth S. Smith, 1949 - 1950
Treasurer (now President), Savings Bank of Ansonia, Ansonia
- Henry C. Deming, 1950 - 1951
President, Berlin Savings Bank, Kensington
- Herbert S. Murphy, 1951 - 1952
President, Mechanics Savings Bank, Hartford
- Noah Lucas, 1952 - 1953
President, Savings Bank of New Britain, New Britain

R. LaMotte Russell was Chairman of the Committee of organization of the Central Fund. He was elected Secretary of the Central Fund in 1933 and has served notably in that capacity and as Secretary of the Guaranty Fund since that time.

The Hartford National Bank and Trust Company has served as Treasurer of the Fund since its inception in 1933.

MEMBER BANKS OF THE GUARANTY FUND
ON SEPTEMBER 30, 1952

Berlin Savings Bank, Kensington
Bridgeport-People's Savings Bank
Bristol Savings Bank
Brooklyn Savings Bank, Danielson
Burrill Mutual Savings Bank, New Britain
Canaan Savings Bank
Chelsea Savings Bank, Norwich
Chester Savings Bank
Citizens Savings Bank, Stamford
City Savings Bank, Meriden
City Savings Bank, Middletown
Collinsville Savings Society
Connecticut Savings Bank, New Haven
Cromwell Savings Bank
Deep River Savings Bank
Derby Savings Bank
Dime Savings Bank, Hartford
Dime Savings Bank, Norwich
Dime Savings Bank, Wallingford
Fairfield County Savings Bank, Norwalk
Falls Village Savings Bank
Farmers & Mechanics Savings Bank, Middletown
Farmington Savings Bank
Groton Savings Bank, Mystic
Guilford Savings Bank
Jewett City Savings Bank
Litchfield Savings Society
Mechanics & Farmers Savings Bank, Bridgeport
Mechanics Savings Bank, Hartford
Mechanics Savings Bank, Winsted
Meriden Savings Bank
Middletown Savings Bank
Moodus Savings Bank

National Savings Bank, New Haven
Naugatuck Savings Bank
New Canaan Savings Bank
New Haven Savings Bank
New Milford Savings Bank
Newtown Savings Bank
Norfolk Savings Bank
Norwich Savings Society
Peoples Savings Bank, New Britain
People's Savings Bank, Rockville
Putnam Savings Bank
Ridgefield Savings Bank
Savings Bank of Ansonia
Savings Bank of Manchester
Savings Bank of New Britain
Savings Bank of New London
Savings Bank of Rockville
Savings Bank of Tolland
Society for Savings, Hartford
Southington Savings Bank
South Norwalk Savings Bank
Southport Savings Bank
Stafford Savings Bank, Stafford Springs
Stamford Savings Bank
State Savings Bank, Hartford
Suffield Savings Bank
Thomaston Savings Bank
Union Savings Bank, Danbury
Waterbury Savings Bank
Willimantic Savings Institute
Winsted Savings Bank
Woodbury Savings Bank

Arrangements have been completed for membership in
the Fund of the Branford Savings Bank on October 1, 1953

THE ORGANIZATION AND OPERATIONS
of
THE SAVINGS BANKS' DEPOSIT GUARANTY FUND
OF CONNECTICUT, INC.

WHEN AND HOW ORGANIZED:

The Savings Banks' Deposit Guaranty Fund of Connecticut, Inc. was originally organized in 1933 as The Mutual Savings Banks' Central Fund, Inc., through the sponsorship of The Savings Banks Association of Connecticut.

Under legislation passed by the General Assembly of Connecticut in 1943, the Central Fund was converted to a full guaranty fund on August 16, 1943.

The cash resources of the Fund were created through payments made to the Fund under the law by each member bank, based pro rata upon the deposit liabilities of these banks.

PURPOSE OF THE FUND:

The original fund set up in 1933 was organized solely for the purpose of furnishing temporary financial assistance for a limited period of time to member savings banks. Under the law, the extension of such accommodation was limited to member banks only and the Fund, from 1933 to 1943, was not empowered to guarantee or insure deposits of its member banks.

Following the conversion to a guaranty fund in 1943, the basic purposes of the Fund became fourfold as follows:

1. To take prompt action to prevent member banks from getting into difficulties — based upon analysis of bank examination reports furnished the Guaranty Fund Office under the law by the State Banking Department and the discussion of any adverse trends reflected by these reports with bank management.

This is the most important work the Fund undertakes and it is through this method that the Fund directs its energies primarily, following extensive analyses of each member bank's condition.

2. To supplement bank management through collaboration with officials of member banks regarding general operations and to render such advisory services as may be desirable and useful in the protection of depositors' funds.
3. To make loans and advances to member banks, when needed, under terms and conditions approved by the Board of Directors of the Fund.

4. The full guarantee of all deposits in member banks through payment, in the event of a liquidation, of a sufficient amount to the Bank Commissioner, as liquidating agent, to pay out the depositors' claims in full.

It is through such action that the Guaranty Fund accomplishes the full guarantee of deposit liabilities of member banks.

MANAGEMENT:

BOARD OF DIRECTORS — The Guaranty Fund is managed by a board of eleven directors, nine of which are elected by the member banks of the five divisional groups as set forth on Page 9 of our Charter and By-laws, (a copy of which will be found in the back of this manual) and two of which are elected by all of the member banks.

The Board of Directors elects the officers of the Fund and appoints the Executive Committee, Advisory Committee, and such other committees as may be necessary.

The Board holds regular quarterly meetings on the second Friday of January, April and July. The October meeting of the Board is held directly after the annual meeting of the Corporation on a date fixed by the Board at its July meeting. Special meetings of the Board are held when necessary.

EXECUTIVE COMMITTEE — The By-laws provide that the Board of Directors shall appoint not less than three nor more than five directors who, together with the president and the vice-president, shall constitute an Executive Committee.

Such members shall hold office until the next annual meeting or until others shall be appointed and shall qualify in their stead.

Between Board meetings, the Executive Committee shall have all the powers of the Board of Directors except it shall not be authorized or have power to make any call on members of the Corporation to deposit moneys with it.

ADVISORY COMMITTEE — This Committee is appointed annually and consists of the president of the Fund together with five authorized representatives of member banks, any of whom may be directors of the Corporation.

It is the duty of this Committee to inquire into the financial condition and management policies of each member bank and to advise any member bank of the action it may consider necessary or advisable to place or preserve such member bank in a condition to properly safeguard the interests of its depositors.

This Committee meets regularly once each month, usually on the second Friday, and special meetings are held when necessary.

Following the Committee's review of the analysis of each bank examination report and such other information it obtains, it directs the Fund Office to take such corrective action as may be necessary through discussion with bank management. This action, if of major import, involves discussion and cooperative action with the State Banking Department.

OTHER ACTIVITIES AND GENERAL INFORMATION:

In addition to the basic work of the Guaranty Fund, the Fund Office acts upon upwards of 300 inquiries from member banks each year, covering the analysis of investment and mortgage portfolios, analysis and discussion of the purchase and sale of individual securities, analysis of operating costs, comparative studies of income and expenses, delinquent accounts, blanket bond coverage, salaries of employees, alterations to buildings and proposed new buildings, establishment of branches, advertising, public relations, proposed changes in the banking law and many other matters.

The Fund Office has an extensive financial library and information files developed over the past twenty years and is mechanized as far as possible to expedite its work. It has access also to vital information through its connections with commercial banks and brokerage houses, as well as State and Federal governmental agencies.

The Guaranty Fund also works closely with the Savings Banks' Railroad Investment Committee by preparing most of the statistical material and special financial studies used by the Committee in its deliberations, in answering inquiries regarding the legality of railroad obligations, and in taking care of correspondence between the Committee and railroad companies, law firms, investment firms and the State Banking Department. This Committee during the year 1952 reviewed 491 railroad issues, with a par value of \$3,756,900,000, which were the obligations of 92 railroad companies.

In back of all this, the Fund Office has recourse to the long and outstanding experience of the officials of its member banks, primarily through its Board of Directors, Executive Committee, and Advisory Committee.

QUESTIONS AND ANSWERS

THE FOLLOWING QUESTIONS HAVE BEEN ASKED
OF THE GUARANTY FUND IN THE PAST AND ARE
INCLUDED IN THIS MANUAL TOGETHER WITH
THE ANSWERS, AS A MATTER OF INFORMATION

1. WHAT BROUGHT ABOUT THE CONVERSION OF THE CENTRAL FUND TO THE GUARANTY FUND AND WHEN DID IT OCCUR?

The officers and directors of The Mutual Savings Banks' Central Fund, Inc. and the officers and directors of member banks impressed as they were with the effectiveness of the Central Fund, coupled with the growing expectation on the part of savings bank depositors that deposits were insured or should be insured, decided to obtain legislation if possible authorizing the conversion of The Mutual Savings Banks' Central Fund, Inc. to The Savings Banks' Deposit Guaranty Fund of Connecticut, Inc., guaranteeing the deposits of member banks in full.

This was accomplished on August 16, 1943.

2. WHAT WERE THE MAIN ADVANTAGES OF THIS CHANGE?

1. All deposits in member banks became guaranteed in full.
2. Member banks could so advertise and thus meet the expectations of existing as well as prospective savings banks' depositors. Our banks were also enabled to meet a competitive disadvantage which had existed prior to the conversion.
3. The Fund was increased substantially in size through additional assessments of $\frac{1}{4}$ of 1% each which were made in 1943, 1944 and 1945 based on the deposits of member banks.
4. The new legislation broadened the powers and the responsibilities of the Fund and permitted the Fund to render more effective advisory services to its member banks.

3. WHAT USE WAS MADE OF THE MONEY DEPOSITED IN THE FUND BY ITS MEMBER BANKS?

Some of it was loaned or advanced to member banks to provide liquidity during the depression years; some was held as cash, and the balance was invested in short term Government obligations.

4. WHAT HAPPENED TO THE FUNDS ADVANCED TO MEMBER BANKS?

These funds were used primarily to provide liquidity and to permit these banks to charge frozen or depreciated assets to surplus, and still maintain adequate surplus ratios.

All of these advances were repaid to the Fund with the exception of a comparatively small amount which was charged off by the Fund as a result of a merger of two member banks, one of which had received an advance from the Fund.

5. DID ANY CONNECTICUT SAVINGS BANKS FAIL DURING THE DEPRESSION YEARS?

No. There has been no failure of any Connecticut savings bank since 1912. However, those banks which received assistance, as well as other banks located in their areas, might have experienced more serious difficulty if the Fund had not made loans and advances at the time of need.

These advances, coupled with the prompt and effective action on the part of the State Banking Department accomplished the vitally important purpose of preserving the fine record of Connecticut savings banks and avoiding the devastating results which occurred in the banking structure in many other parts of the country.

These results could not have been accomplished as quickly and effectively as they were without the fullest cooperation and assistance of the management and directorates of all our member banks.

Banking Department reports show that during the depression years foreclosed mortgage loans, mortgage loan delinquency, loss of income from such loans and substantially depressed security values placed a great strain on our Connecticut savings banks as well as all other banks throughout the country.

The fact that these extremely difficult and dangerous conditions were met courageously, wisely and soundly by our State Banking Department and the management of our Connecticut savings banks stands to their everlasting credit in safely preserving depositors' funds in these banks.

It was because of such conditions and such action on the part of Connecticut savings banks that The Mutual Savings Banks' Central Fund was established in 1933.

6. IN THE EVENT OF TROUBLE WOULD THE GUARANTY FUND'S LOANING ABILITY BE LIMITED TO THE AMOUNT OF ITS PRESENT ASSETS?

No. The Fund's loaning ability could be considerably greater than its present assets of approximately \$20,000,000 as it has established large lines of credit with commercial banks in New York and Hartford in excess of \$7,000,000 at this time. In addition, the Fund could also take assets from a member bank as security for an advance which could then be rediscounted, thereby creating a revolving credit in an amount much greater than the total assets of the Fund. The Fund can also call for additional deposits through assessments, as provided by the law under which the Fund operates.

7. WHAT WOULD THE FUND'S POSITION BE IN THE EVENT OF A DEFAUCATION OR ROBBERY IN A MEMBER BANK?

A bank's first line of defense against such losses would of course be the protection provided by its blanket bond, followed by its surplus account. In the unlikely event that these two sources were inadequate to make good the loss, or if as a result of making up the shortage the bank's surplus account was drastically reduced, the Guaranty Fund would then be em-

powered under the law to make advances in a sufficient amount to provide an adequate surplus, thereby permitting the bank to continue to operate.

8. HOW CAN THE GUARANTY FUND, WITH APPROXIMATELY \$20,000,000 OF ASSETS, INSURE \$1,380,000,000 OF MEMBER BANKS' DEPOSITS?

1. The Guaranty Fund under the State law is required to make up the difference between the liquidating value of the bank's assets, and the amount owed to the bank's depositors, in the unlikely event of the liquidation of a savings bank.
2. A review of the history of Connecticut savings banks since 1850 reveals that although there have been a few savings banks that liquidated for less than one-hundred cents on the dollar, most of these banks that closed for various reasons paid out their depositors in full. There were also some savings banks that, when liquidated, paid out to their depositors considerably more than one-hundred cents on the dollar.
3. Our member banks on December 31, 1952 had an average book surplus ratio to deposits of 12%, and combined surplus funds of over \$165,000,000 excluding valuation reserves of approximately \$25,000,000, with which to meet any losses. This means the average member bank could liquidate its assets at about 12% less than book value without use of valuation reserves and still pay off its depositors in full without outside help.
4. Connecticut savings banks are a prime insurance risk due to the high character and competency of the management of these banks, the small size of the average regular savings deposit which on December 31, 1952 amounted to \$1,236 per account, and the high quality of their assets.
5. A breakdown of these assets on December 31, 1952 was as follows:

Cash	3.5%
Governments	45.3
Other Bonds	11.8
Mortgage Loans	34.3
Bank Stocks	3.6
Other Assets	1.5

100.0%

These assets are very high grade, as they consist of Government Bonds with an average weighted maturity of about fourteen years, and better than 90% of the "Other Bonds". which include Canadians, High Grade Corporates and Municipals, have a credit rating of "AA" or "AAA". Approximately 35% of the outstanding mortgage loans are insured or guaranteed, with most mortgages now being written on an amortized basis. Assets of this quality would indicate but a relatively low ultimate loss potential.

6. Our banks are thoroughly seasoned institutions as they have successfully operated through many booms, depressions and wars. Their conservative type of operation today reflects the long and invaluable experience gained from the past. Of the 72 savings banks in Con-

necticut, 67 have been in business for over 75 years and 7 for over 100 years. The youngest savings bank is 46 years old and the oldest 134 years old.

7. While Connecticut has continued to develop steadily in recent years, it has not experienced the boom type of growth that some sections of the West and Southwest have experienced during this period.
8. There are no advances or loans involving liquidity now outstanding to any member bank.
9. The Fund's assets are 99.2% in cash and Government obligations with an average weighted maturity on June 30, 1953 of two years and eight months (see maturity schedule on page 17).
10. The ratio of Fund assets to total deposit liabilities of member banks on September 30, 1952 was 1.40% which, to our knowledge, was the highest ratio of any Fund in the country insuring or guaranteeing the deposits of mutual savings banks (see chart No. 8 on page 39 and statistics on page 40).
11. The combined member bank surplus accounts and Guaranty Fund assets to member bank deposits invested in risk assets was 42.17% on December 31, 1952 (see chart No. 9 on page 41 and statistics on pages 42 and 43).
12. The total assets of the Fund as of September 30, 1952 of more than \$19,335,000 are over nine times the total losses to depositors in Connecticut savings banks in the past 81 years (see chart No. 10 on page 44 and statements on page 45).
13. The total assets of the Fund as of September 30, 1952 were more than nine times advances and loans made to member banks since 1933.
14. The Fund assets as of September 30, 1952 were over 75 times the size of the only loss the Fund has ever experienced, which amounted to \$250,000.
15. The Fund surplus of \$6,069,080 on September 30, 1952 was in itself nearly 3 times the total amount of advances made to member banks since 1933.
16. The surplus account of the Fund on September 30, 1952 of \$6,069,080 was equal to 45.75% of the basic member bank deposits in the Fund.

9. WHAT HAS BEEN THE COST OF THIS DEPOSIT INSURANCE IN FULL TO THE MEMBER BANKS OF THE GUARANTY FUND FOR THE PAST TWENTY YEARS?

For every one hundred dollars paid into the Central Fund and the Guaranty Fund since 1933 in the form of deposits and premiums, the Fund had on September 30, 1952 one hundred and thirteen dollars in assets. This was after the payment of all operating expenses, dividends and losses since 1933 which came out of investment income and realized bond profits. (See chart No. 3 on page 26 and statements on page 27).

In looking to the future it should reassure our member banks to know that the premiums they pay for deposit insurance to their Guaranty Fund will not be used to pay out depositors of banks in other sections of the country where the element of bank failures has been so much greater than we have experienced here in Connecticut.

10. WHAT PERCENTAGE OF TOTAL DEPOSITS IN CONNECTICUT SAVINGS BANKS IS REPRESENTED BY MEMBER BANKS OF THE GUARANTY FUND?

On December 31, 1952 the combined deposits of the 65 member banks of the Guaranty Fund were equal to 92.7% of total deposits in all Connecticut savings banks.

SIGNIFICANT FACTORS REGARDING THE GUARANTY FUND

1. A local Fund owned and operated by member banks with no appointments to the Board of Directors, Committees, or office management made by State or Federal Governments.
2. Losses are confined to member banks in Connecticut. No member bank's share of assets of the Fund used to pay losses of out-of-state commercial banks or savings banks.
3. Full guarantee of deposits.
4. Preventive work designed to keep banks in good condition and operating on a sound basis.
5. Extensive knowledge of local conditions under which member banks operate due to Fund Office being located in the field of operations.
6. All deposits in Fund and premiums paid to Fund intact. (See Chart No. 3 on page 26 and statements on page 27).
7. All operating expenses, losses and dividends since Fund was started in 1933 have been provided for out of investment earnings and realized bond profits with over \$2,211,137 to spare on September 30, 1952.
8. Twenty-two major studies have been made in past three years covering Government Bonds, Railroads, Utilities, Bank Stocks and Canadians.

These studies have been of great value to members in connection with their investments, as the information contained in them is not available from any other source.
9. Basic member bank deposits in the Guaranty Fund are an investment and are evidenced by certificates of deposit which may be carried on the books of member banks at 100% of their face value.
10. Fund is empowered to pay dividends and make premium refunds.
11. Fund paid 2% dividend in 1951 and 2% dividend in 1952. (For a complete list of dividend payments since 1933, see Page 18.)
12. Premiums paid to Guaranty Fund are deductible for both State and Federal tax purposes.

S U M M A R Y

During the 20 years in which the Fund has served its member banks, it has assumed certain responsibilities required by law as well as a moral obligation to carry out or meet these responsibilities as fully as possible in order that its member banks might receive all of the benefits to which they are entitled.

How well the administrations of the Corporation have succeeded in fulfilling their responsibilities is to a large extent set forth in the contents of this manual.

The original Fund, organized in 1933, was set up to provide liquidity to those member banks needing it. While the original Fund was not empowered to guarantee deposits in member banks, indirectly this result was obtained through loans and advances for liquidity purposes. The Central Fund, established in 1933, shortly thereafter advanced \$500,000 to two member banks needing additional liquidity. As the depression years of the '30s passed into the '40s, advances were made to three more member banks with all advances outstanding in 1942 totaling \$2,150,000. Of this amount \$1,750,000 assisted four of these banks, having total deposits at that time of about \$31,000,000, to continue as "going" institutions. These banks today have deposits of over \$46,000,000. The fifth bank to which an advance was made was merged with another member bank with no loss to the depositors of the merged bank.

All of these advances were repaid in full with the exception of \$250,000 which, in effect, represents the cost to the Fund in clearing up the trouble in Connecticut savings banks that grew out of the greatest depression this country has ever had, and at the same time protecting the deposits in our member banks which ranged between \$650,000,000 and \$700,000,000 during the 1933-1942 period.

The protection of deposits directly and indirectly which our member banks have enjoyed during the past twenty years has been provided at an exceptionally low cost, as for every \$100 ever paid into the Fund in the form of deposits and annual premiums there was on September 30, 1952 \$113 of assets. This was after the payment of all operating expenses, dividends and losses during the past twenty years which came out of investment income and realized bond profits.

The Fund assets on September 30, 1952 were over nine times greater than the total losses to all depositors in all Connecticut savings banks during the past 81 years and over 75 times the losses to the Fund from its inception to date. If this record is any indication of the possible or probable needs of member banks in the future, the strength of your Fund is more than ample to meet such requirements.

During the past twenty years Fund officials have answered literally thousands of inquiries covering in general the overall operations of member banks. To enumerate or even attempt to summarize the nature of these services would be impracticable in a manual of this nature. However, the wholehearted acceptance of these services by our member banks and the results attained bear out definitely that your Fund has met well this phase of its responsibility. None of these efforts would have been successful had it not been for the splendid cooperation of member bank officials with the Fund office. The Fund office welcomes the continued opportunity to render such services.

In conclusion, this manual would not be complete without giving full recognition to all those who had the foresight, courage and wisdom through which this Fund was created and developed.

Such thinking and action was so deeply rooted in our American way of life that this Fund has been since its very beginning a truly democratic institution.

The desire and will of the founders of the Fund to meet the tides and storms growing out of economic conditions, through the pooling of money and experience, together with the unswerving desire to meet the vital problems which are bound to arise from time to time within such a group, is in keeping with the highest American traditions. The willingness to cooperate realistically for a common purpose has been the keynote of the success of this Fund to date. Obviously, no part of the success of this Fund could have been attained without the financial support of its member banks, and the interest and cooperation of the officers and directors of our banks.

The very strength and success of this Fund has played no small part in the development of a close and productive relationship with the State Banking Department through the years, quite aside from the ever-present willingness of the Banking Department to cooperate on its own account.

The combination of a strong State Banking Department and group of member banks, together with a strong Guaranty Fund with such an outstanding record, should justify looking forward to the years ahead with confidence and a real sense of security.

THE SAVINGS BANKS' DEPOSIT GUARANTY FUND
OF CONNECTICUT, INC.

BALANCE SHEET

September 30, 1953

ASSETS

Cash		\$ 818,620.61
United States Bonds and Notes		18,868,625.39
Commercial Deposits		
Bankers Trust Co. of New York	\$100,000.00	
Hartford-Connecticut Trust Co.	50,000.00	150,000.00
Amount due under Agreement		137,393.47
		<u>\$19,974,639.47</u>

LIABILITIES

Reserve, Social Security, Employees'		
Contributions	\$ 6.37	
Reserve, Employees' Withheld Taxes on		
Salaries	474.94	481.31
Deposits in Fund by Members		13,308,998.66
Surplus, in form of interest, premium		
payments and profits remaining		
undistributed		6,665,159.50
		<u>\$19,974,639.47</u>

THE SAVINGS BANKS' DEPOSIT GUARANTY FUND
OF CONNECTICUT, INC.

MATURITY SCHEDULE OF U. S. TREASURY OBLIGATIONS

As of September 30, 1953

Date	Issue	Par Value	% of Total
<u>1954</u>			
March 15, 1954	1- $\frac{3}{8}$'s, Notes	\$ 1,000,000	
June 1, 1954	2- $\frac{5}{8}$'s, C. I.'s	2,000,000	
August 15, 1954	2- $\frac{5}{8}$'s, C. I.'s	400,000	
September 15, 1954	2- $\frac{5}{8}$'s, C. I.'s	5,000,000	
December 15, 1954-53	2's, Bonds	3,500,000	
Total 1954 Maturities		\$11,900,000	63.2%
<u>1955</u>			
March 15, 1955	1- $\frac{1}{2}$'s, Notes	\$ 1,500,000	8.0
<u>1959</u>			
September 15, 1959-56	2- $\frac{1}{4}$'s, Bonds	\$ 3,000,000	15.9
<u>1960</u>			
July 1, 1960	2- $\frac{1}{2}$'s, Series "G"	\$ 1,000,000	5.3
<u>1962</u>			
January 1, 1962	2- $\frac{1}{2}$'s, Series "G"	\$ 100,000	
June 15, 1962-59	2- $\frac{1}{4}$'s, Bonds	1,000,000	
Total 1962 Maturities		\$ 1,100,000	5.8
<u>1969</u>			
December 15, 1969-64	2- $\frac{1}{2}$'s, Bonds	\$ 340,000	1.8
Total Portfolio		<u>\$18,840,000</u>	<u>100.0%</u>

* * * * *

On September 30, 1953 the above portfolio had an average weighted maturity of 2 years 8 months.

DIVIDEND PAYMENTS

	Date	Rate	Amount
By the Central Fund:	Jan. 14, 1935	1-½ %	\$ 18,609.00
	Dec. 30, 1935	1 %	28,456.60
	Dec. 30, 1936	1 %	44,897.42
	Dec. 28, 1937	1-¼ %	77,416.20
	Dec. 24, 1938	1-¼ %	77,416.20
	Dec. 28, 1940	1 %	61,932.96
By the Guaranty Fund:*	Oct. 1, 1951	2 %	258,496.53
			<hr/>
			\$567,224.91

* In addition to the October 1, 1951 dividend, a dividend of 2% amounting to \$259,064.59 was paid by the Fund on October 30, 1952 directly after the close of the Fund's fiscal year on September 30, 1952, making total dividend payments to date of \$826,289.50.

ANALYSIS AND STATISTICAL SHEET

The "statistical sheet" on the following page carrying the heading "Bank No. 100" sets forth figures and comments based on a theoretical bank and not an existing bank.

This sheet was prepared expressly for use in this manual. The same type of information in the same form is compiled from the examination report of each member bank as it is received by the Fund office from the State Banking Department.

The primary purpose of this sheet is to provide the Advisory Committee of the Fund with basic and vital information in summarized form in connection with its review of each examination report.

Following the review of the report and the statistical sheet by the Committee, together with such other information as has been obtained, the Fund office is directed to take up with the management of each member bank such matters as should be discussed for corrective purposes.

Each member bank receives a copy of the statistical sheet covering its own examination report. The Bank Commissioner receives copies of these sheets covering all examination reports.

Member banks have indicated a definite interest in this analysis and comparison, and some of the banks have requested additional copies of these sheets for use of their directors or trustees.

Because of the confidential nature of this information the sheets are numbered and the bank's name does not appear on them.

(percentages are based upon deposits)

Date	6-8-48	6-3-49	5-15-50	4-10-51	4-1-52	Mem. Avg. 6-15-52	COMMENTS		
Deposits (000 omitted)	25,842	26,578	27,647	29,108	32,145		Deposits increased \$3,037 M since last exam.		
Cash & Securities							Maturity Schedule		
Cash	1.8	4.2	4.5	3.5	2.5	3.3	Bank No. 100 Avg. of M. Banks		
Government Bonds	57.6	57.0	57.8	54.9	49.3	56.9	4-1-52 6-15-52		
Cash & Government Bonds	59.4	61.2	62.3	58.4	51.8	60.2			
High Grade Bonds	17.9	15.6	15.1	17.8	20.1	11.2	0 to 5 yrs. 13.7 15.5		
Other Bonds	-	.2	.2	.2	1.5	.6	6 to 10 yrs. 23.8 11.9		
Banks Stks., Book Price	5.8	5.5	5.0	4.6	5.3	3.7	11 to 20 yrs. 43.1 49.3		
Bank Stks., Market Price	7.0	6.5	6.4	6.2	6.7	5.0	Over 20 yrs. 19.4 23.3		
Real Estate							Mortgage Loans		
Mortgage Loans	22.6	23.8	23.7	25.2	26.4	23.5	Percentage to deposits increased .6%.		
FHA Loans	-	-	-	-	-	3.4	Increase in dollar amount of \$1,176,858 from \$9,430,992 to \$10,607,850 since last exam.		
GI Loans	4.5	5.3	5.8	5.8	5.5	7.9			
Other Mtges.	2.3	2.0	1.7	1.4	1.1	.6			
Total Mortgage Loans	29.4	31.1	31.2	32.4	33.0	35.4	Delinquent Loans		
Foreclosed Real Estate	.1	.1	.2	.2	.1	.009	Decreased in number from 58 to 53 and in amount from \$264,068 to \$243,981 since last exam.		
Delinquency % to Loans	.6	1.7	3.4	2.8	2.3	1.0			
3-6 mos.			.8	1.0	.8	.6	Adjusted Surplus		
6 mos.—1 year			1.5	.8	.9	.2	Percentage to deposits decreased 2.2 since last exam.		
Over 1 year			1.1	1.0	.6	.2	Total Appreciation last exam \$582,795		
Dividend & Surplus Accts:							Total Appreciation this exam 63,607		
Dividend Paid	2-1/4%	2-1/4%	2-1/4%	2-1/2%	2-1/2%	2.19%	Decrease \$519,188		
Book Surplus	12.8	14.3	14.5	14.2	13.4	12.5	Underwriting Valuation		
(000 omitted)	3308	3801	4009	4133	4307		Decreased 2.0% since last exam.		
Adjusted Surplus	14.3	14.8	16.6	15.4	13.2	12.3			
Underwriting Valuation	110.7	111.9	112.3	112.1	110.1	110.0	Deposit Trend		
OPERATING RATIOS AND CONDENSED EARNINGS STATEMENT AS OF						MEM. AVG.	Bank No. 100 Avg. of M. Banks		
December 31						6-15-52			
% Gr. Opr. Exp. to Gr. Opr. Earn.	1949	1950	1951	1951	22.1	12-31-48	+ 3.4 + 2.0		
% Dividends to Net Opr. Earnings	16.2	16.2	16.5	16.5	77.0	12-31-49	+ 4.5 + 1.7		
% Net Earn. Aft. Div. Bef. P. & L.	78.1	80.3	79.5	79.5		12-31-50	+ 5.8 + 1.1		
to Gross Operating Earnings	18.3	16.5	17.1	17.1	17.9	12-31-51	+ 8.0 + 4.4		
						Current	+ 3.2*		
						* At rate of gain of 12.7% for 12 months.			
Gr. Operating Earnings	Gr. Operating Expenses	Net Earnings Bef. Dividends	Dividends	Net Earn. Bef. Profit & Loss	Recoveries & Profits	Losses and Write Offs	Net	Available for Surplus	
'50 \$ 990,241	\$ 160,683	\$ 829,558	\$ 666,816	\$ 162,742	\$ 190,842	\$ 182,422	Profit\$8,420	\$ 171,162	
'51 1,066,242	176,766	889,476	707,675	181,801	74,725	77,695	Loss 2,970	178,831	

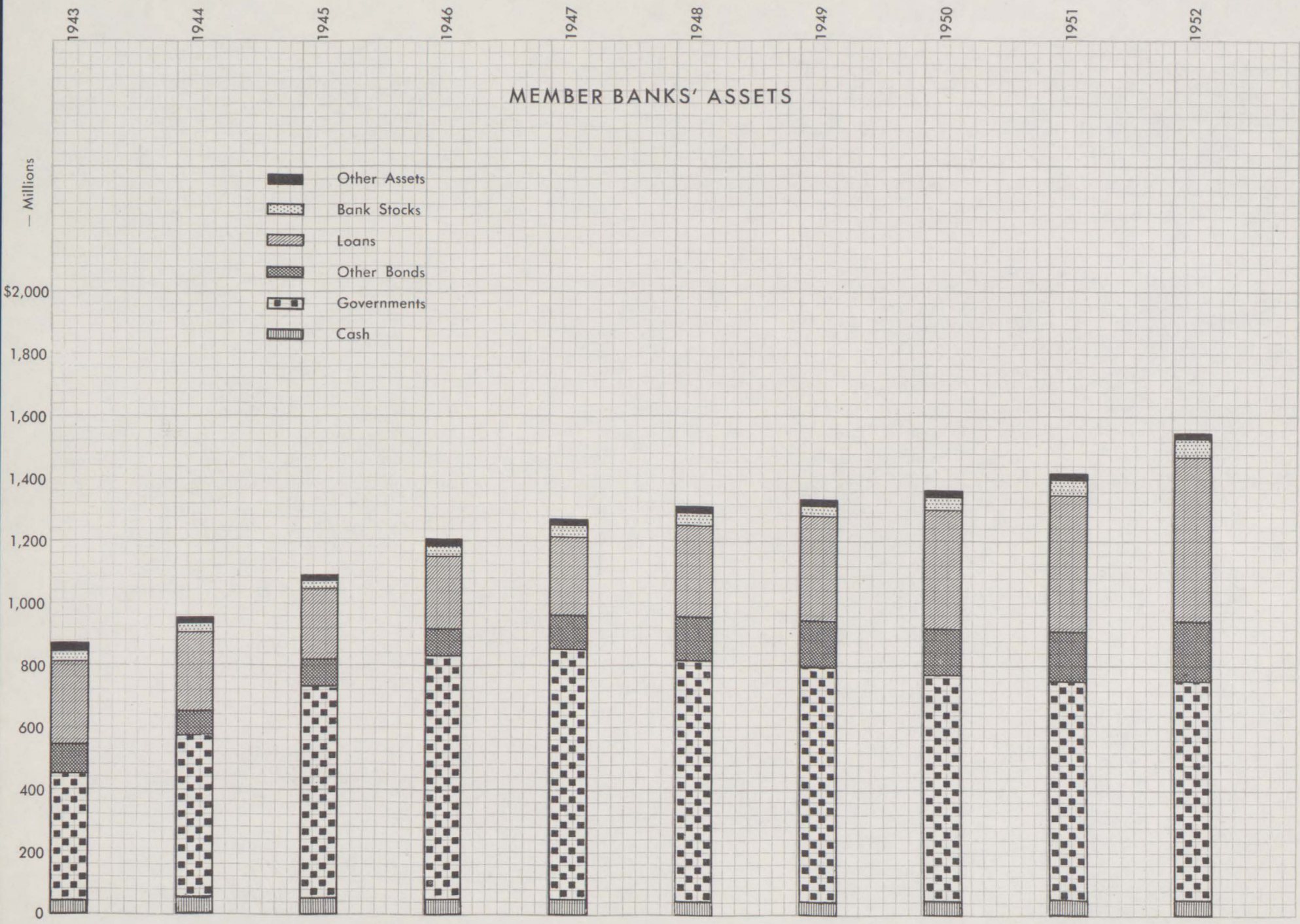


Chart No. 1

MEMBER BANK ASSETS
(In Millions)

	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
Other Assets	\$ 20.5	\$ 18.6	\$ 20.8	\$ 18.2	\$ 18.3	\$ 18.1	\$ 18.8	\$ 19.7	\$ 21.6	\$ 22.9
Bank Stocks	26.5	28.2	28.4	33.5	35.6	35.5	37.9	41.3	46.4	55.5
Loans	276.6	251.2	230.8	235.8	257.1	299.7	339.1	389.0	449.9	532.6
Other Bonds	87.3	82.4	84.6	88.5	110.5	137.8	144.7	141.1	152.9	184.0
Governments	412.9	526.4	679.2	781.8	800.2	774.7	757.2	726.9	692.8	704.6
Cash	41.8	50.9	50.5	46.5	49.7	44.4	39.9	43.1	55.1	54.7
Totals	\$865.6	\$957.7	\$1,094.3	\$1,204.3	\$1,271.4	\$1,310.2	\$1,337.6	\$1,361.1	\$1,418.7	\$1,554.3

MEMBER BANK ASSETS
(%)

	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
Other Assets	2.4%	1.9%	1.9%	1.5%	1.4%	1.4%	1.4%	1.4%	1.5%	1.5%
Bank Stocks	3.1	3.0	2.6	2.8	2.8	2.7	2.8	3.0	3.3	3.6
Loans	31.9	26.2	21.1	19.6	20.2	22.9	25.4	28.6	31.7	34.3
Other Bonds	10.1	8.6	7.7	7.3	8.7	10.5	10.8	10.4	10.8	11.8
Governments	47.7	55.0	62.1	64.9	63.0	59.1	56.6	53.4	48.8	45.3
Cash	4.8	5.3	4.6	3.9	3.9	3.4	3.0	3.2	3.9	3.5
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1953

Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
------	------	------	------	------	------	-----	------	------	------	-------	------	------	------	------	------	------	------	-----	------

AVERAGE DELINQUENCY AS A PERCENTAGE OF TOTAL MORTGAGE LOANS
HELD BY MEMBER BANKS AS REFLECTED BY THE
MOST RECENT EXAMINATION REPORT OF EACH BANK IN OUR FILES

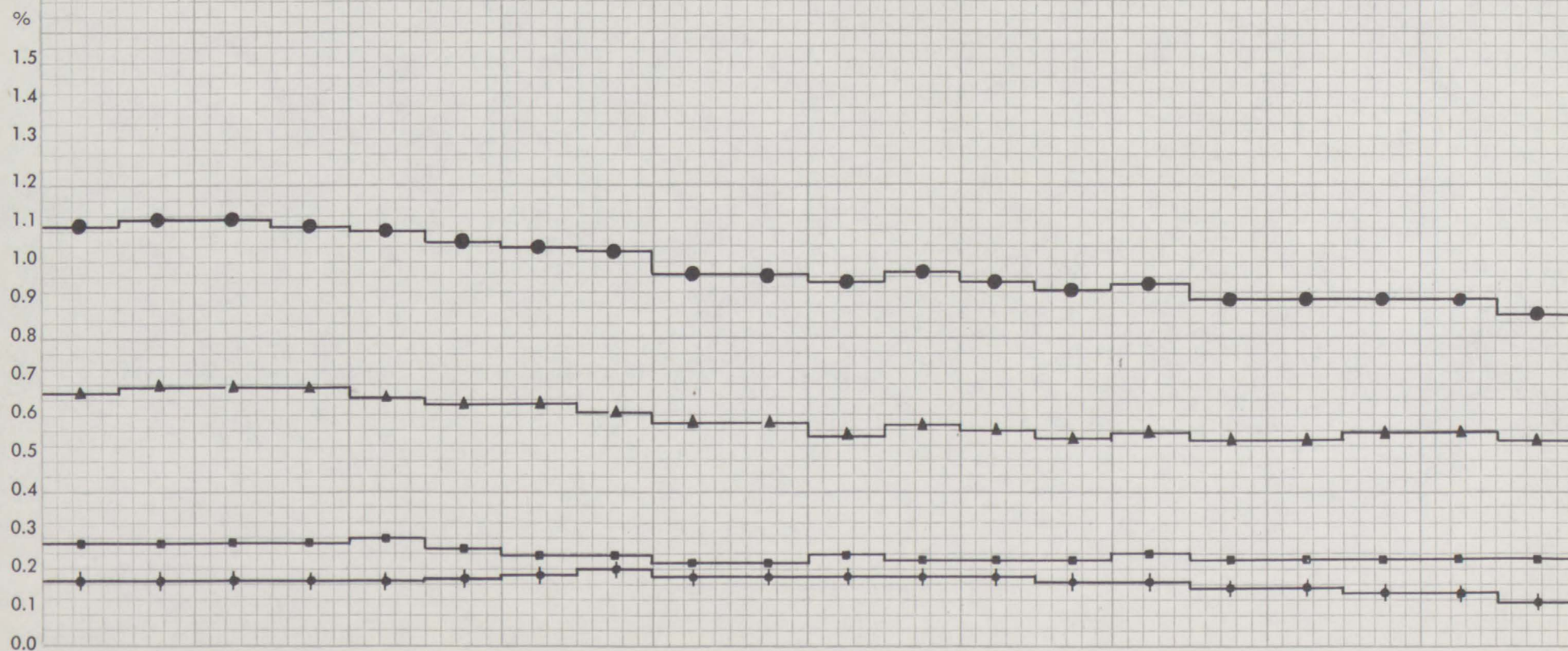
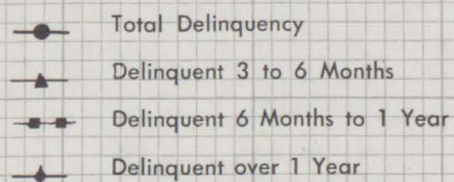


Chart No. 2

MORTGAGE LOAN DELINQUENCY

Member bank mortgage loan delinquency is based on a moving monthly average of delinquent loans as a percentage of total mortgage loans, based on the most recent examination report of each member bank in our files each month.

	3 to 6 months (%)	6 Months to 1 Year (%)	Over 1 Year (%)	Total Delinquency (%)
1951				
November	0.65	0.26	0.17	1.08
December	0.66	0.26	0.17	1.09
1952				
January	0.66	0.26	0.17	1.09
February	0.66	0.26	0.16	1.08
March	0.64	0.27	0.16	1.07
April	0.62	0.25	0.17	1.04
May	0.62	0.23	0.18	1.03
June	0.60	0.23	0.19	1.02
July	0.57	0.21	0.17	0.95
August	0.57	0.21	0.17	0.95
September	0.54	0.23	0.17	0.94
October	0.57	0.22	0.17	0.96
November	0.55	0.22	0.17	0.94
December	0.53	0.22	0.16	0.91
1953				
January	0.54	0.23	0.16	0.93
February	0.53	0.22	0.14	0.89
March	0.53	0.22	0.14	0.89
April	0.54	0.22	0.13	0.89
May	0.54	0.22	0.13	0.89
June	0.53	0.22	0.11	0.86

COMPARISON OF TOTAL PAYMENTS INTO FUND
BY MEMBER BANKS SINCE 1933
WITH FUND ASSETS ON SEPTEMBER 30, 1952

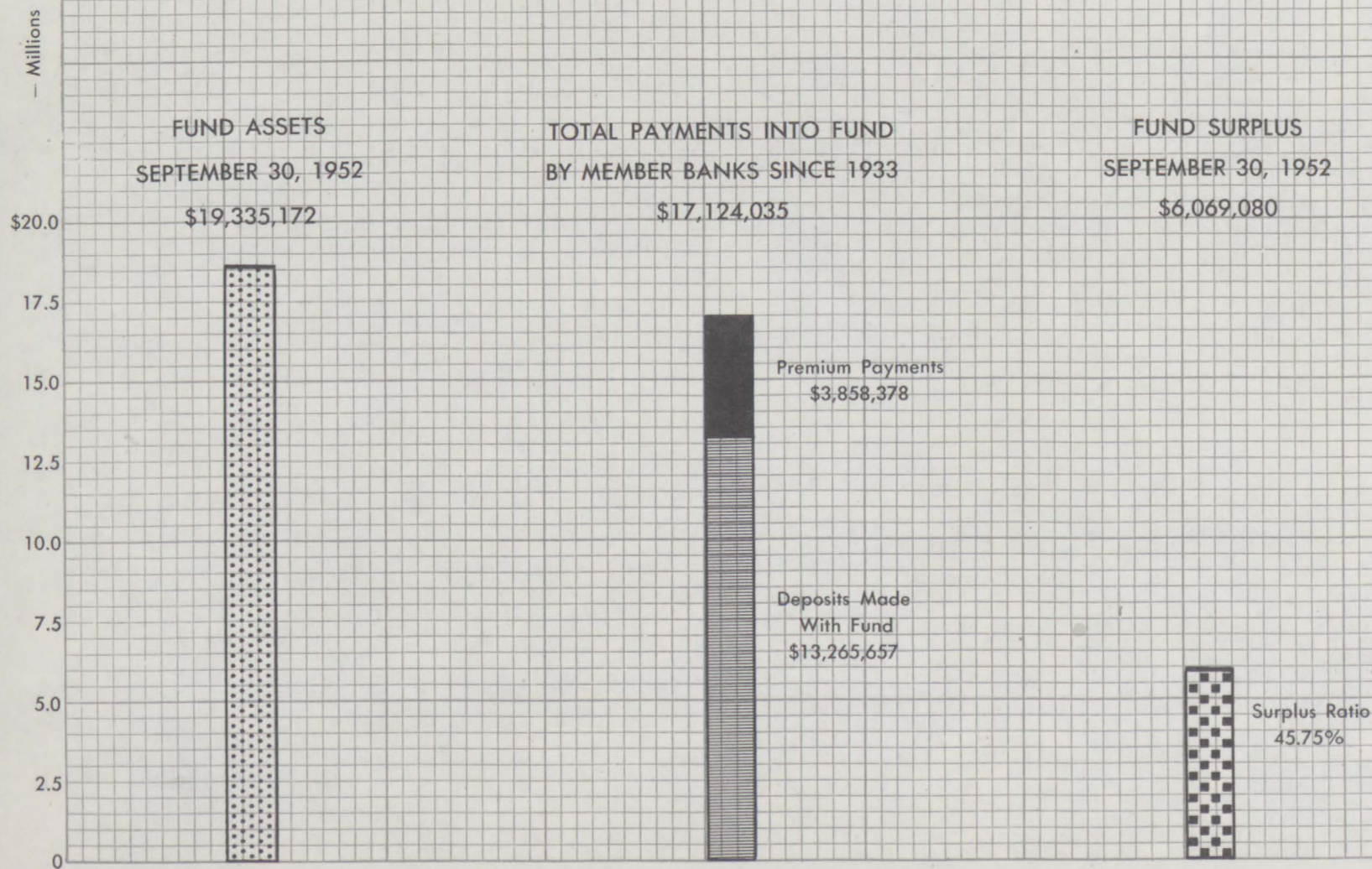


Chart No. 3

COMPARISON OF TOTAL PAYMENTS INTO FUND
BY MEMBER BANKS SINCE 1933
WITH FUND ASSETS ON SEPTEMBER 30, 1952

Between 1933 and September 30, 1952, member banks paid into the Mutual Savings Banks' Central Fund and its successor, The Savings Banks' Deposit Guaranty Fund of Connecticut, Incorporated, \$17,124,035.

These payments consisted of deposits made with these Funds amounting to \$13,265,657, for which the member banks received certificates of deposit, and annual premium payments totaling \$3,858,378.

Compared with total payments by member banks to the Fund since 1933 of \$17,124,035, the Guaranty Fund, on September 30, 1952, had assets of \$19,335,172, of which \$19,182,513 was in the form of cash and Government obligations.

The September 30, 1952 assets of \$19,335,172, related to the deposits made with the Fund of \$13,265,657 leaves a surplus position of \$6,069,080 or a surplus ratio of 45.75%.

For every one hundred dollars paid into these Funds by member banks since 1933 in the form of deposits and premium payments, the Guaranty Fund on September 30, 1952 had one hundred and thirteen dollars in assets after: the payment of \$567,225 in dividends to member banks on their deposits with the Funds; \$322,966 operating cost of the Funds since 1933; and a \$250,000 loss resulting from advances, or total deductions of \$1,140,191.

Of the above \$567,225 paid out in dividends since 1933, \$308,729 was paid over a period of several years by the Central Fund and \$258,496 was paid by the Guaranty Fund on December 15, 1951. This does not include a dividend of \$259,064 which was paid by the Guaranty Fund on October 30, 1952 directly after the close of the Fund's fiscal year on September 30, 1952.

GUARANTY FUND ASSETS

AS OF SEPTEMBER 30

(000's omitted)

	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
Cash	\$ 631	\$ 605	\$ 618	\$ 596	\$ 765	\$ 1,389	\$ 721	\$ 844	\$ 758	\$ 797
Advances (x)	890	615	700	435	270	325	200	45	—	153 (xx)
Governments	5,070	7,326	12,568	13,434	14,084	14,403	15,896	16,685	17,555	18,385
Totals	\$6,591	\$8,546	\$13,886	\$14,465	\$15,119	\$16,117	\$16,817	\$17,574	\$18,313	\$19,335

(x) Advances are net of reserves.

(xx) Due under membership agreement.

GUARANTY FUND ASSETS

AS OF SEPTEMBER 30

(%)

	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
Cash	9.6%	7.1%	4.5%	4.1%	5.1%	8.6%	4.3%	4.8%	4.1%	4.1%
Advances (x)	13.5	7.2	5.0	3.0	1.8	2.0	1.2	.3	—	.8(xx)
Governments	76.9	85.7	90.5	92.9	93.1	89.4	94.5	94.9	95.9	95.1
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(x) Advances are net of reserves.

(xx) Due under membership agreement.

\$2,500
2,250
2,000
1,750
1,500
1,250
1,000
750
500
250

— Thousands

1934 1935 1936 1937 1938 1939 1940 1941 1942 1943 1944 1945 1946 1947 1948 1949 1950 1951 1952 1953

ADVANCES TO MEMBER BANKS

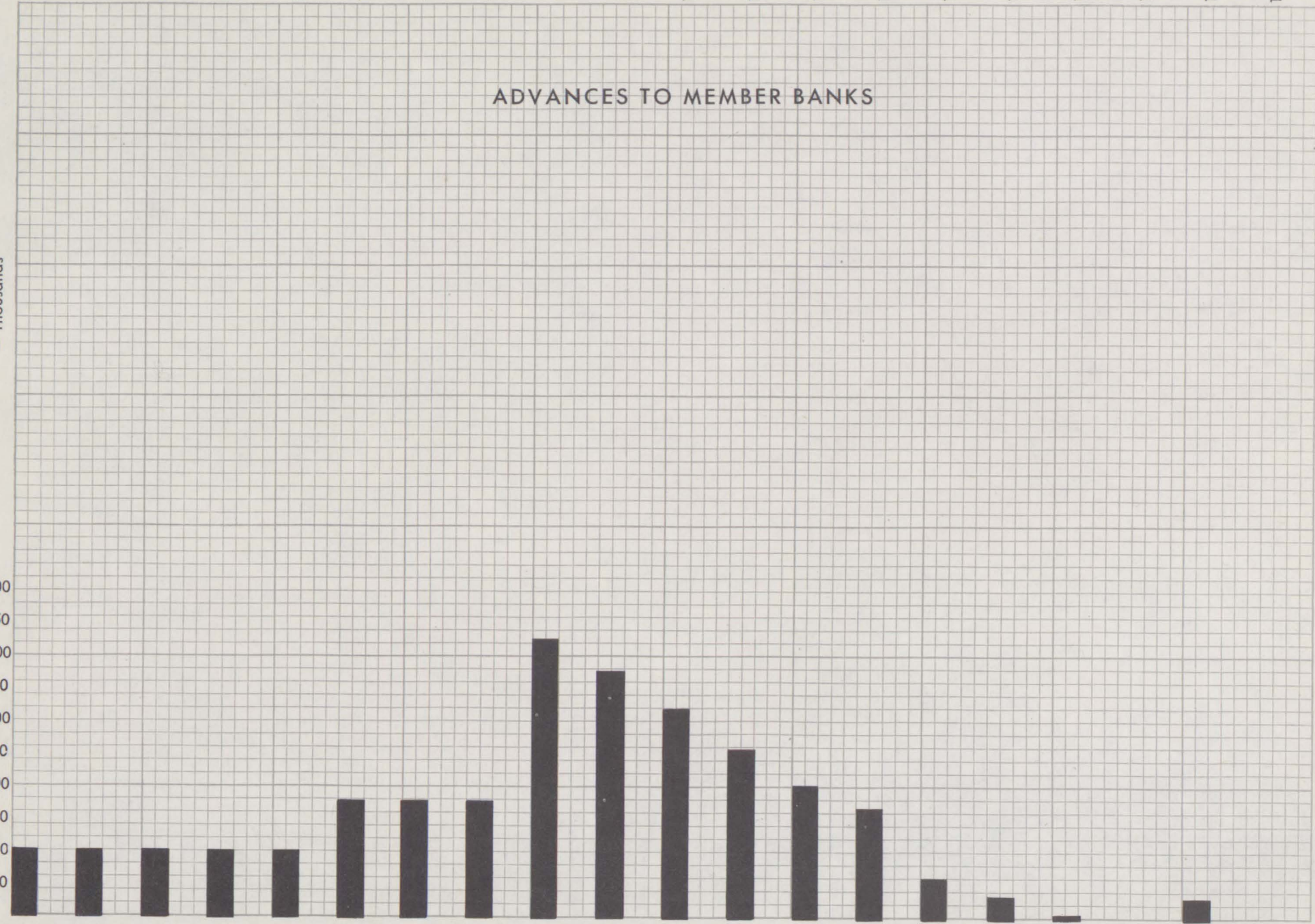


Chart No. 5

ADVANCES TO MEMBER BANKS

[32]

Year	Amount Outstanding	Year	Amount Outstanding
1934	\$ 500,000	1944	\$1,615,000
1935	500,000	1945	1,300,000
1936	500,000	1946	1,035,000
1937	500,000	1947	870,000
1938	500,000	1948	325,000
1939	900,000	1949	200,000
1940	900,000	1950	45,000
1941	900,000	1951	—
1942	2,150,000	1952	152,659 (x)
1943	1,890,000		

(x) Due under membership agreement.



Chart No. 6

SOURCE OF GUARANTY FUND INCOME

(000's omitted)

[34]

	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
Bond Profits & Misc. Income	\$ 8.8	\$ 72.4	\$ 4.4	\$ 0.9	\$ 0.2	\$ 0.4	\$ —	\$ 0.6	\$ —	\$ —
Interest on Advances	14.9	14.7	14.0	7.7	5.5	2.8	2.8	1.5	0.2	—
Investment Income	83.7	113.6	139.6	197.1	236.7	216.1	265.6	297.1	303.4	335.8
Premium Income	—	307.6	343.8	393.3	431.8	456.2	468.3	477.6	482.0	497.8
Totals	\$107.4	\$508.3	\$501.8	\$599.0	\$674.2	\$675.5	\$736.7	\$776.8	\$785.6	\$833.6

SOURCE OF GUARANTY FUND INCOME

(%)

	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
Bond Profits & Misc. Income	8.2%	14.2%	.9%	.1%	— %	.1%	— %	.1%	— %	— %
Interest on Advances	13.9	2.9	2.8	1.3	.8	.4	.4	.2	—	—
Investment Income	77.9	22.4	27.8	32.9	35.1	32.0	36.0	38.2	38.6	40.3
Premium Income	—	60.5	68.5	65.7	64.1	67.5	63.6	61.5	61.4	59.7
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

[35]

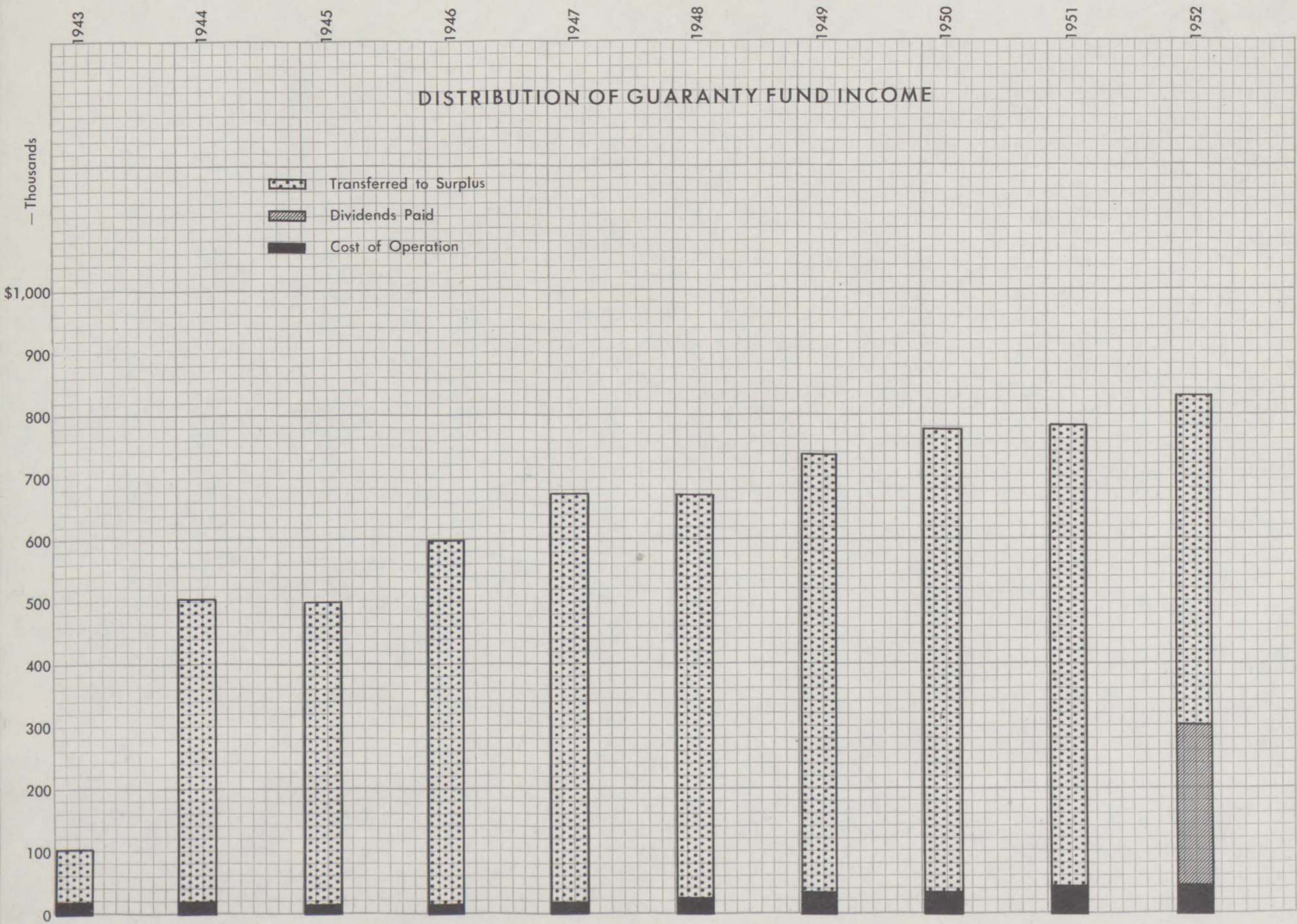


Chart No. 7

DISTRIBUTION OF GUARANTY FUND INCOME

(000's omitted)

	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
Transferred to Surplus	\$ 89.4	\$486.1	\$485.1	\$579.3	\$654.0	\$647.5	\$700.1	\$738.3	\$739.6	\$528.4
Cost of Operation	18.0	22.2	16.7	19.7	20.2	28.0	36.6	38.5	46.0	46.7
Dividends Paid	—	—	—	—	—	—	—	—	—	258.5
Total Income	\$107.4	\$508.3	\$501.8	\$599.0	\$674.2	\$675.5	\$736.7	\$776.8	\$785.6	\$833.6

DISTRIBUTION OF GUARANTY FUND INCOME

(%)

	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
Transferred to Surplus	83.2%	95.6%	96.7%	96.7%	97.0%	95.9%	95.0%	95.0%	94.1%	63.4%
Cost of Operation	16.8	4.4	3.3	3.3	3.0	4.1	5.0	5.0	5.9	5.6
Dividends Paid	—	—	—	—	—	—	—	—	—	31.0
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

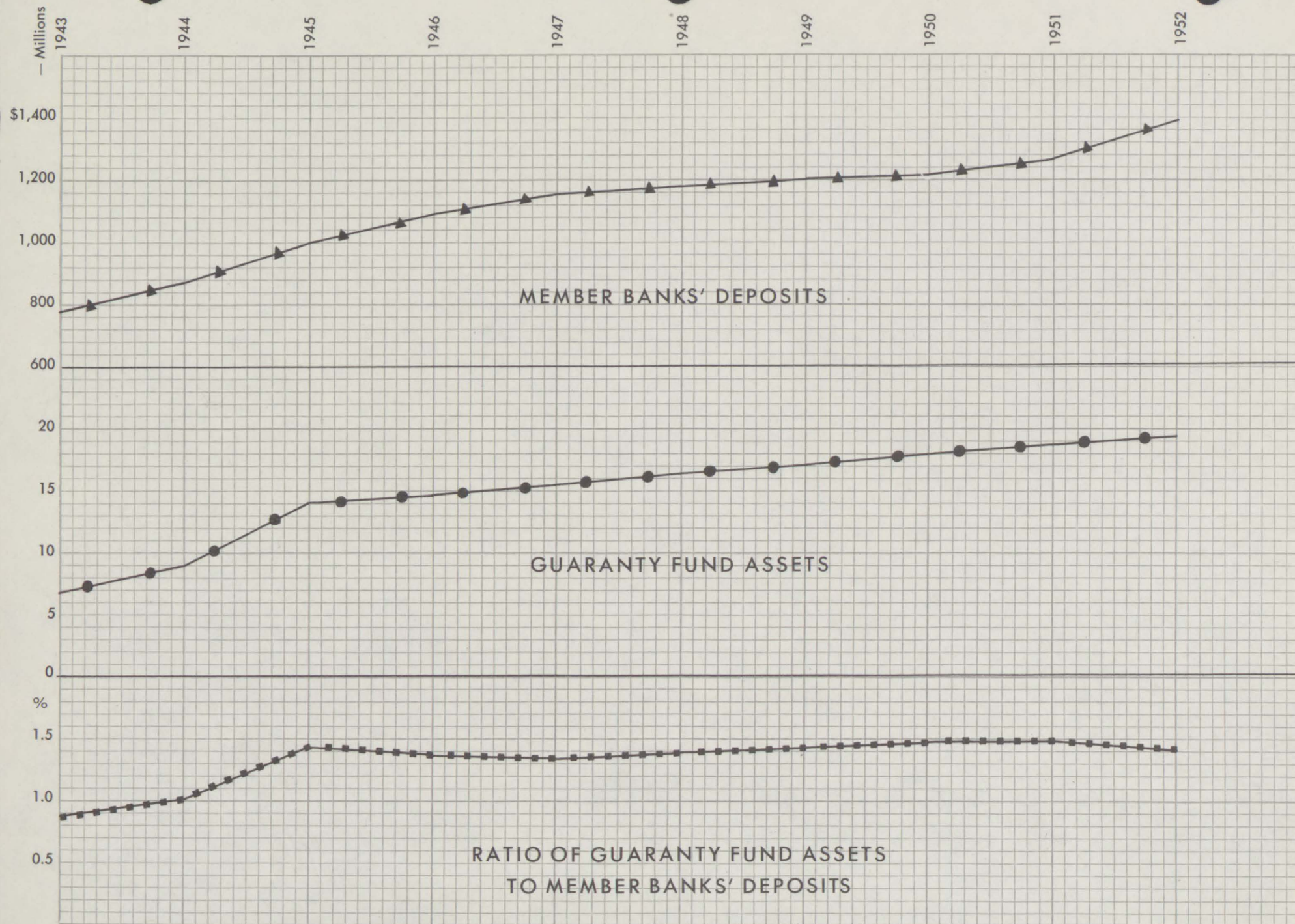


Chart No. 8

RATIO OF GUARANTY FUND ASSETS TO MEMBER BANKS' DEPOSITS

(000's omitted)

Year	Member Banks' Deposits	Guaranty Fund Assets	Ratio of Guaranty Fund Assets To Member Banks' Deposits
1943	\$ 772,870	\$ 6,591	0.8527%
1944	857,748	8,546	0.9963
1945	983,445	13,886	1.4120
1946	1,079,156	14,465	1.3404
1947	1,140,425	15,119	1.3257
1948	1,170,892	16,117	1.3765
1949	1,193,069	16,817	1.4095
1950	1,204,989	17,574	1.4584
1951	1,256,064	18,313	1.4580
1952	1,381,095	19,335	1.4000

[40]

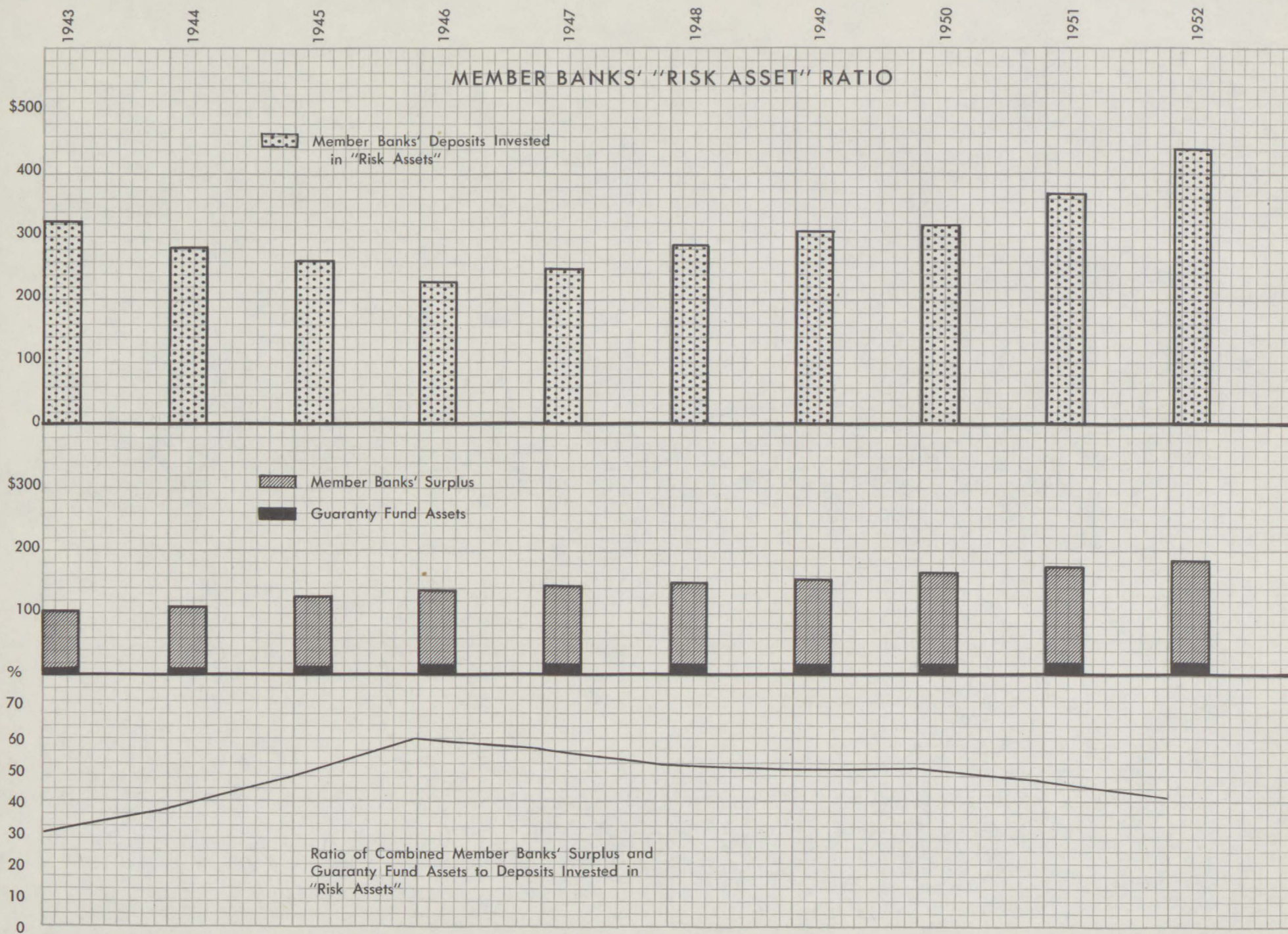


Chart No. 9

MEMBER BANKS' "RISK ASSET" RATIO (x)

(000's omitted)

	1943	1944	1945	1946	1947
"Non-Risk" Assets:					
Cash	\$ 41,775	\$ 50,935	\$ 50,503	\$ 46,512	\$ 49,648
Governments	412,937	526,454	679,217	781,835	800,235
F.H.A. Mortgages	—	—	—	15,097	15,454
G.I. Mortgages	—	—	—	12,020	28,203
Title 1 Loans	—	—	—	—	—
Total "Non-Risk" Assets	\$454,712	\$577,389	\$729,720	\$855,464	\$893,540
Member Banks' Deposits	\$772,870	\$857,748	\$983,445	\$1,079,156	\$1,140,425
Less:					
"Non-Risk" Assets	454,712	577,389	729,720	855,464	893,540
Deposits Invested in "Risk Assets"	\$318,158	\$280,359	\$253,725	\$ 223,692	\$ 246,885
Member Banks' Surplus	\$ 90,517	\$ 98,653	\$108,978	\$ 121,691	\$ 126,633
Guaranty Fund Assets	6,591	8,546	13,886	14,465	15,119
Total	\$ 97,108	\$107,199	\$122,864	\$ 136,156	\$ 141,752
Ratio of Combined Member Banks' Surplus Accounts and Guaranty Fund Assets to Deposits Invested in "Risk Assets"					
"Risk Asset" Ratio	30.52%	38.24%	48.42%	60.87%	57.42%

(x) Assets other than cash, Government bonds, insured and guaranteed loans which are ordinarily termed "risk assets."

	1948	1949	1950	1951	1952
"Non-Risk" Assets:					
Cash	\$ 44,433	\$ 39,908	\$ 43,133	\$ 55,155	\$ 54,739
Governments	774,692	757,221	726,959	692,839	704,631
F.H.A. Mortgages	20,292	27,335	34,890	43,291	54,471
G.I. Mortgages	46,941	63,974	84,145	101,559	127,905
Title 1 Loans	49	120	293	493	569
Total "Non-Risk" Assets	\$ 886,407	\$ 888,558	\$ 889,420	\$ 893,337	\$ 942,315

Member Banks' Deposits	\$1,170,892	\$1,193,069	\$1,204,989	\$1,256,064	\$1,381,095
Less:					
"Non-Risk" Assets	886,407	888,558	889,420	893,337	942,315
Deposits Invested in "Risk Assets"	\$ 284,485	\$ 304,511	\$ 315,569	\$ 362,727	\$ 438,780

Member Banks' Surplus	\$ 131,897	\$ 138,135	\$ 145,179	\$ 155,647	\$ 165,703
Guaranty Fund Assets	16,117	16,817	17,574	18,313	19,335
Total	\$ 148,014	\$ 154,952	\$ 162,753	\$ 173,960	\$ 185,038

Ratio of Combined Member Banks'
Surplus Accounts and Guaranty
Fund Assets to Deposits Invested
in "Risk Assets"

"Risk Asset" Ratio	52.03%	50.88%	51.57%	47.96%	42.17%
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COMPARISON OF GUARANTY FUND ASSETS
WITH LOSSES TO CONNECTICUT SAVINGS BANKS' DEPOSITORS SINCE 1872 AND
WITH LOSSES RESULTING FROM ADVANCES MADE BY THE FUND TO MEMBER BANKS SINCE 1933

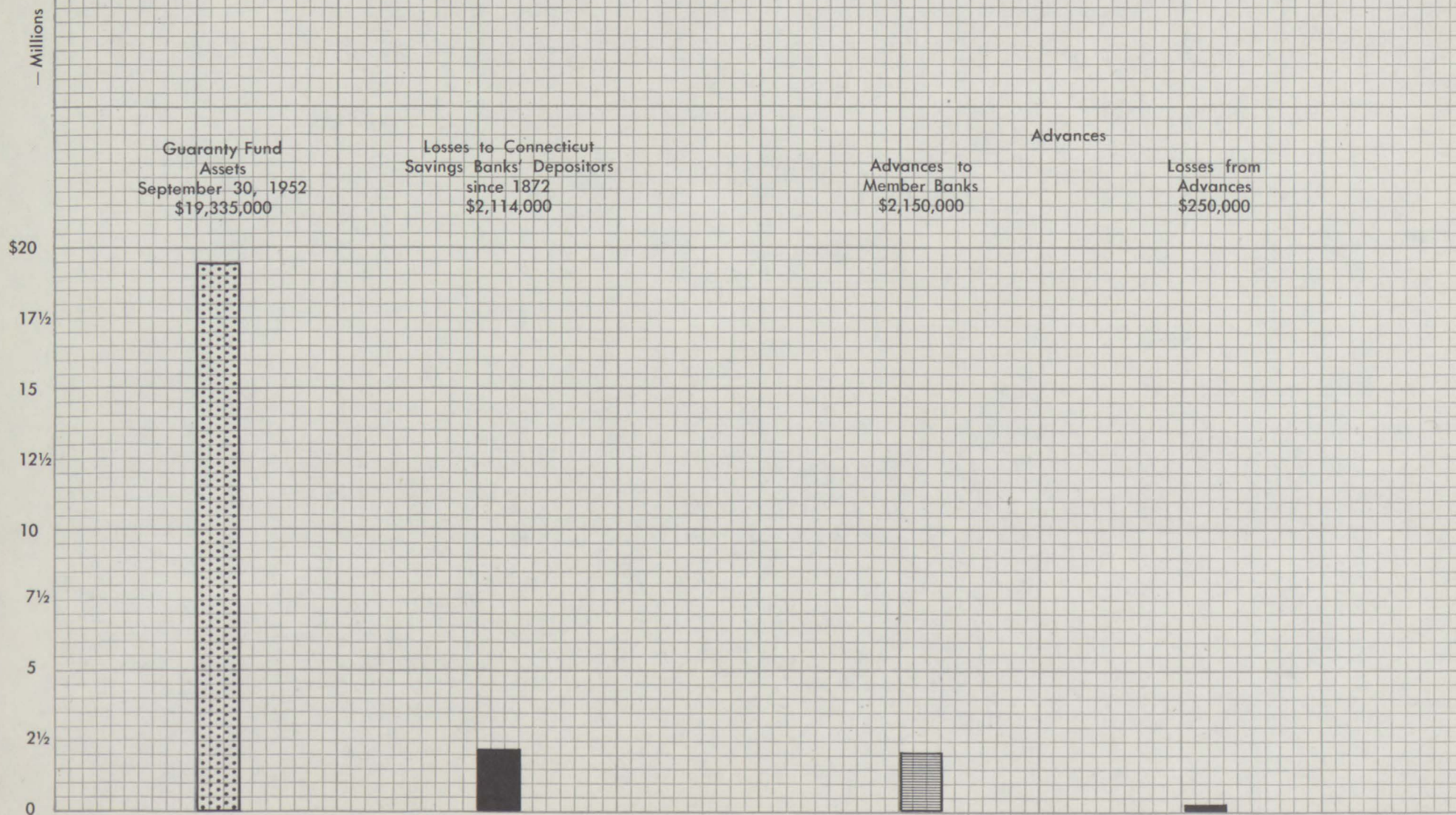


Chart No. 10

COMPARISON OF GUARANTY FUND ASSETS
WITH LOSSES TO CONNECTICUT SAVINGS BANKS' DEPOSITORS SINCE 1872 AND
WITH LOSSES RESULTING FROM ADVANCES MADE BY THE FUND TO MEMBER BANKS SINCE 1933.

The Guaranty Fund assets of \$19,335,000 on September 30, 1952 were more than nine times greater than the total loss of \$2,114,000 to all depositors in Connecticut savings banks during the past eighty-one years.

This loss of \$2,114,000 since 1872 is based on the most accurate records available and occurred prior to the establishment of the Mutual Savings Banks' Central Fund in 1933, the predecessor organization of the Guaranty Fund, as there has been no loss to any savings bank depositor in Connecticut since 1912.

The Guaranty Fund assets on September 30, 1952 were also nine times greater than the \$2,150,000 of total advances made by the Fund to its member banks to offset the financial problems growing out of the depression of the 1930's and to restore the banks to a sound financial condition.

The Fund assets were more than seventy-five times the size of the \$250,000 loss, which resulted from the \$2,150,000 of advances that were made, and which was the only loss that the Fund has ever experienced.

The Fund's surplus account of \$6,069,080 on September 30, 1952 was, in itself, nearly three times the total loss to Connecticut savings banks' depositors during the past eighty-one years, nearly three times the total advances that were made to member banks in the past, and nearly twenty-five times the loss that resulted from the advances.

CHARTER AND BY-LAWS

**THE SAVINGS BANKS' DEPOSIT GUARANTY FUND
OF CONNECTICUT, INCORPORATED**

(Revised to 1951)

THE SAVINGS BANKS' DEPOSIT GUARANTY FUND
OF CONNECTICUT, INCORPORATED

§ 5858. *Savings banks' deposit guaranty fund.*

R-S (1) § 1119b. (1951). *Corporate existence continued and definitions.*

(a) The corporate existence of "The Savings Banks' Deposit Guaranty Fund of Connecticut, Incorporated," hereinafter referred to as "the corporation," as organized and existing on October 1, 1947, is confirmed, and the duration of the corporation is continued as unlimited.

(b) Wherever used in this section "deposit liability" shall mean the aggregate of all amounts credited to the account of all depositors on the books of a member bank. "Deposit liability ratio" shall mean a fraction expressed in per cent, the numerator of which is the total value of the cash and marketable securities of the corporation, excluding advances, loans, repurchase agreements, mortgages and real estate, as determined by the board of directors, and the denominator of which is the deposit liability of all member banks. "Net premium income" shall mean the gross premium income of the corporation for its most recent fiscal year less the expense of operation for that year, and less twenty-five per cent of the gross premium income which has been added to surplus. "Deposit ratio" shall mean a fraction expressed in per cent, the numerator of which is the total deposits of a member bank with the corporation on deposit in the name of the member bank, and the denominator of which is the deposit liability of the member bank. "Average deposit ratio" shall mean a fraction expressed in per cent, the numerator of which is the total deposits of all member banks with the corporation on deposit in the name of the member banks and the denominator of which is the total deposit liability of all member banks. "Excess deposits" shall mean the amount by which the deposits of a member bank with the corporation on deposit in the name of the member bank exceed the deposits necessary to maintain its deposit ratio equal to the average deposit ratio. The deposit ratio of all member banks shall be considered equal when the deposit ratio of a member bank is not more than one-twentieth of one per cent above or below the average deposit ratio.

(2) *Powers.* The corporation shall, to the full extent of its resources, guarantee and protect all the deposits in member banks as hereinafter stated.

(a) The corporation may loan money to member banks with or without security. Such loans shall bear such rate or rates of interest and be on such terms as the board of directors may determine. If and when mortgage notes secured by mortgages on real estate shall be taken as security for any such loan, the value of the mortgaged real estate and the title of the mortgagor may be ascertained at such time and in such manner as shall be satisfactory to the board of directors, and it shall not be necessary to record the assignment of any such mortgage to the corporation.

(b) The corporation may buy any assets owned by any member bank at the book value thereof, or at such other value as the board of directors determine, notwithstanding that such value may exceed the market value thereof, either with or without an agreement providing for the repurchase of such assets, or any of them, at such price and at such time, and subject to such conditions, as are determined by the board of directors in its discretion.

(c) The corporation may make advances from time to time to member banks upon such terms and conditions as it determines. Any such advance shall not constitute nor be stated on its books as a liability of the member bank to which it is made until the corporation shall, by written notice to such bank, present its claim for repayment of such advance or advances.

(d) When the commissioner shall certify to the corporation that any member bank to which an advance has been made or is to be made, or from which assets have been purchased or are to be purchased by the corporation at a price above the market value, or to which a loan shall have been made or is to be made by the corporation, has committed such an act or acts or is in such condition that he might take possession of the business of such member bank pursuant to law if it were not for such advance, loan or purchase, or when the commissioner shall so request, the corporation may, in its discretion, appoint to the board of trustees or directors, as the case may be, of such member bank one or more members, either to fill vacancies on the board or as additional members, to remain as such until all of such advances or loans shall have been repaid and all repurchase agreements have been satisfied, or until such conditions shall have been corrected to the satisfaction of the commissioner. This subdivision shall constitute an amendment to the charter and by-laws of each member bank without further action on its part, for the duration of its membership, and of each bank which may subsequently become a member of the corporation, by becoming a member, without further action on its part, for the duration of its membership.

(e) Whenever the commissioner shall determine that a member bank is in such condition that he should exercise any of his statutory powers to restrict such member in the payment or acceptance of deposits, or in the doing of further business, or has in fact exercised any of such statutory powers, he shall forthwith notify the corporation. The corporation shall thereupon, or within a reasonable time, at the election of the corporation, either restore such member bank to a financial condition satisfactory to the commissioner by one or more of the methods provided in subdivision (a), (b) or (c) of this subsection, or it shall make available to the commissioner as receiver or liquidating agent such funds as may be necessary to pay each of the depositors in such member bank the full amount of his deposit as credited to his account on the books of the bank, and such funds shall be used only for the purpose of paying the depositors of such member bank. The corporation shall thereupon be subrogated to the rights of such depositors against such member bank.

(f) The corporation shall have and may exercise any corporate power or powers not inconsistent with, and which may be necessary or convenient to, the accomplishment of its purpose of guaranteeing and otherwise protecting the deposits of member banks.

(g) Nothing herein shall empower the corporation to assist any bank which is not at the time of such assistance a member of the corporation.

(3) Deposits. Payment of premiums. Assessments.

(a) In addition to all deposits heretofore made with the corporation by its members, the corporation may, in its discretion, call on its members at any time to make further deposits, aggregating one-half of one per cent of each member bank's deposit liability. Such additional calls shall be made only upon a majority vote of the entire membership of the board of directors of the corporation at a meeting duly warned and held for that purpose. The deposits made by each member bank may be carried on the books of each member bank as an asset at values to be determined from time to time by the commissioner.

(b) In addition to deposits made prior to October 1, 1947, or provided for above, each member bank shall continue to pay on January 10 in each year to the corporation as an annual premium payment an amount equal to one-twenty-fifth of one per cent of its deposit liability as of the previous September thirtieth. Such payments shall be treated by the member banks as part of their current expense.

R.S.(c) § 1120b. (1951). Except as hereinafter provided in subdivision (g), subsection (4) of this section or subsection (13) of this section, no member bank shall be or become obligated to make any deposits or payments to the corporation beyond the assessments provided for in subdivision (a) and the annual premium payments of one-twenty-fifth of one per cent provided for in subdivision (b).

(d) Subject to such provisions as the by-laws may contain, the board of directors may, wholly or in part, or temporarily, exempt from any call or calls for deposits, any member bank, member banks or local group of member banks, if circumstances are such that in the judgment of the board of directors such exemption is expedient.

(e) Each member bank shall be obligated to make deposits on or before the date stated in the call, and the by-laws may provide a penalty for failure to make any payment called for or due, not exceeding an amount equal to interest at the rate of six per cent per annum on the amount called for, or due, for failure to pay the same, and the corporation may institute an action at law in case of non-payment of either the deposits, or the premium payments, or the penalty, or any or all of the same.

(f) Deposits made by member banks shall be evidenced by transferable certificates of deposit. Any such certificates of deposit may be used by member banks as collateral for loans.

(g) From time to time, by vote of member banks having deposit liabilities which aggregate seventy-five per cent of the total deposit liabilities of all member banks at the time of such vote, at a meeting or meetings of the corporation duly called for the purpose, the board of directors may be authorized to make assessments in the manner provided in subdivision (a) of this subsection to the extent authorized by such vote of member banks in addition to the assessments authorized in subdivision (a) hereof; and, if such authority is granted, any member bank not voting to authorize the board of directors to make such additional assessment, or not otherwise assenting thereto, may resign its membership in the corporation upon giving one month's notice of its desire to resign, and when such resignation shall become effective at the expiration of such period of one month, the member thus resigning shall be entitled to receive from the corporation at the same rate and in the same manner, the same portion of the funds of the corporation as it would be entitled to receive under subsection (7) hereof. No member who has given notice of intention to resign under the foregoing circumstances shall be subject to any further call to deposit moneys with the corporation issued after the receipt of such notice. The assent of each member bank to the increase of liability or obligation of member banks by virtue of such vote of the corporation herein indicated shall be conclusively presumed to have been given unless such member shall, within one month after the date when any such additional authority to the board of directors shall have been voted, file with the corporation notice of its desire to resign therefrom.

New (h) § 1121b. (1951). Any member bank whose deposit ratio shall be less than the average deposit ratio as of the preceding September 30, may, from time to time, make additional deposits with the corporation for the purpose of making its deposit ratio equal the average deposit ratio.

New (i) § 1121b. (1951). The board of directors may exempt a member bank whose deposit ratio exceeds the average deposit ratio, as of the preceding September 30, from any assessments made under subdivisions (a) or (g) hereof, to the extent of its excess deposits.

R-S (4) § 1122b. (1951). Dividends.

(a) The board of directors may pay dividends to the member banks as follows:

1. Whenever the deposit liability ratio exceeds one and one-half per cent, to the extent of the excess; or
2. Whenever the surplus of the corporation exceeds twenty-five per cent of the total deposits of all member banks with the corporation, to the extent of such excess, provided such dividend does not reduce the deposit liability ratio below one and one-quarter per cent; or
3. To the extent of seventy-five per cent of net premium income, provided such dividend does not reduce the deposit liability ratio below one and one-quarter per cent.

(b) Whenever the deposit liability ratio of the corporation shall exceed five per cent, the board of directors shall declare and pay a dividend to the extent of such excess.

(c) The dividend to any member bank shall be computed upon its deposits with the corporation, provided the rate of dividend on deposits made by a member bank with the corporation within one year prior to the date of declaration of such dividend shall be such proportion of the dividend rate for other deposits that the number of full months such deposits made within one year have been on deposit with the corporation bears to twelve months.

(d) Any dividend may, at the discretion of the board of directors, be paid to a member bank by applying such dividend to the reduction of any advance to such bank by the corporation or any other liability of such bank to the corporation existing at the time of such dividend payment.

(e) Such portion of any dividend to a member bank, whose deposit ratio shall be less than the average deposit ratio as of the preceding September 30, as is necessary to make its deposit ratio equal the average deposit ratio, shall be paid by crediting such portion of the dividend as a deposit by the member bank. The corporation shall issue such member bank a certificate of deposit for such portion of the dividend so credited as a deposit by the member bank.

(5) Investment of funds. Authority to borrow. Recommendations to members.

R-S (a) § 1123b. (1951). Except as authorized by subsections (2), (7) and (12) of this section, the funds of the corporation may be invested only in

1. Bankers' acceptances and bills of exchange of all kinds and maturities made eligible by law for rediscount with federal reserve banks, provided the same are accepted by a bank, banking association or trust company incorporated under the laws of the United States, or of the state of Massachusetts or of the state of New York, and having its principal place of business in and being a member of the clearing house association in the city of New York or in the city of Boston;
2. Obligations issued or fully guaranteed by the United States;
3. Obligations of the states of Connecticut, New York and Massachusetts;

or may be deposited in national banking associations located in this state and in state banks and trust companies organized under the laws of this state, and in banks which shall be members of the clearing house associations located in the city of New York or in the city of Boston.

(b) The corporation shall have power to become a member of the Federal Reserve System if and whenever by the laws and regulations applicable to such membership it shall become eligible therefor.

(c) The corporation may borrow money and contract debts when necessary for the transaction of its business or for any lawful purpose of its incorporation and may, at the discretion of its board of directors, mortgage or pledge property of the corporation to secure payment of any such obligations or debts. Any mutual savings bank may loan to the corporation such sums as may be approved by the commissioner. No mortgage of real estate or assignment of mortgage of real estate by the corporation need be recorded by the mortgagee or assignee.

(d) The corporation shall have power to require from its member banks information and statistics, in addition to information which it may have received from the commissioner or otherwise, in respect to their condition and investments, and to make such written recommendations as in the judgment of the board of directors shall tend to place or preserve member banks in condition to properly safeguard their depositors. If a member bank to which such a recommendation has been made shall refuse to comply therewith within a reasonable time, then the board of directors shall have power, after notice to the commissioner, and after hearing the member bank at a meeting of the board of directors called for the purpose, and upon the affirmative vote of three-fourths of the entire board of directors, to expel such member bank from membership in the corporation. Such member shall thereupon have the same rights with reference to withdrawal of assets as a member bank which has resigned from the corporation, except that the corporation may set off against the member bank's proportionate share of the assets any obligation of the member bank of the corporation, including advances, loans or repurchase agreements.

(6) Membership. Meetings. By-laws.

(a) Each mutual savings bank of this state which is not a member of the corporation may, with the approval of the board of directors of the corporation, and upon compliance with such conditions as may be prescribed by the board of directors of the corporation become a member of the corporation.

(b) Except as hereinafter provided, each member bank shall have one vote at meetings of the corporation. The member banks shall severally be represented and shall vote at meetings of the corporation by an officer or member of the governing board of such member bank thereunto duly authorized by such member bank.

(c) The affairs of the corporation shall be managed by a board of directors whose number shall be prescribed by the by-laws and may, from time to time, be increased or decreased by the by-laws, provided the number shall never be less than nine nor more than fifteen.

(d) The by-laws may provide that the directors may be divided into classes or groups to be elected respectively by the member banks voting by groups, that each member bank in the election of directors may have a vote or votes in proportion to the deposit liability of the member bank and that the directors may be elected in classes as to terms of office. No person who is not an officer or a member of the governing board of a member bank shall be eligible for the office of director. The by-laws may provide that, in the election of directors, whether by classes or as a whole, the member banks may vote by written ballot deposited with the secretary, although not present at the meeting at which the election is held, under such rules and limitations as may be contained in such by-laws. The by-laws may further provide for an executive committee of the board and such other committees as may be convenient, composed of officers or of members of the governing boards of member banks to be selected either by the member banks at a meeting of the corporation, or by the board of directors, and the duties of such committees shall be prescribed by the by-laws or in the vote creating the committee, provided no committee shall be authorized to make the calls provided for by subsection (3) hereof.

(e) The corporation may have such officers, employees, agents or agencies, and may employ such experts, advisers and auditors, as the board of directors may determine. The board of directors shall elect the officers of the corporation and prescribe their duties. The treasurer of the corporation and any assistant treasurer may be a bank or trust company having fiduciary powers organized under the laws of this state or under the laws of the United States.

(7) Withdrawal from membership

(a) Any member bank which is not, either at the time of giving notice of intention to withdraw or at the time of withdrawal, in default in any of its obligations to the corporation, including calls made or premium payments due before the date of withdrawal, or which has repaid any advance or loan made to it by the corporation, and has carried out the terms of any repurchase agreement made with the corporation, may withdraw as a member of the corporation upon giving eighteen months' notice in writing of its intention to withdraw, to the corporation and to the commissioner. The corporation shall thereupon notify each member bank of the receipt of such notice. The corporation may, upon a vote of two-thirds of its board of directors at a meeting called to consider such matter, or upon a vote of the member banks whose deposit liabilities aggregate not less than seventy-five per cent of the total deposit liabilities of all member banks (including those of the withdrawing member) at a meeting of the member banks called to consider such matter, permit such member bank to withdraw at the end of three months from the time of giving such notice or at the end of such period less than eighteen months from the giving of such notice as may be approved by the board of directors, if no meeting of the member banks is called to consider such matter, or by the member banks, if a meeting of the member banks is called to consider the matter. A meeting of the board of directors shall be held, at the written request of such member bank, not more than six weeks from the time of giving such notice, to consider such matter. If the board of directors at such meeting has not reduced such period to three months, then a meeting of the member banks on the written request of the withdrawing member bank, shall be held not more than ten weeks from the time of giving such notice to consider such matter.

(b) Any member bank withdrawing from the corporation in the foregoing manner shall be entitled to withdraw from the corporation's assets, only in the manner hereinafter stated, its proportionate share thereof at the date its withdrawal becomes effective, such proportionate share to be a fraction, the numerator being the deposits of such member bank in the corporation, and the denominator being the total deposits in the corporation of all the member banks, including that of the withdrawing member bank. The manner of withdrawing such proportionate share shall be as follows: Cash, to the extent of the member bank's fractional interest in the cash and in each of the securities of the corporation which is, in the judgment of the board of directors, readily marketable, at market value; the balance shall be paid by the issuance of a certificate or certificates of fractional participation (such fraction being the same as the member bank's fractional interest in all the assets of the corporation). Such certificate or certificates of fractional participation shall only entitle the holder thereof to participate fractionally in any proceeds resulting from the liquidation in cash of such assets as they are liquidated by the corporation. Such certificate shall not describe the assets to which it relates except by symbols, but the corporation shall, after the issuance of such certificate or certificates, designate such assets on its records by like symbols. Such certificate or certificates shall not entitle the holder thereof to have any control as to the manner, amount or time of liquidation of any such assets. The corporation shall not reveal any information other than the fact of partial or total liquidation of the assets to which such certificate or certificates relate, except with the approval of the commissioner. The corporation may either pay to the withdrawing member bank in final settlement of the member bank's deposit, in lieu of such certificate or certificates, such sum in cash as may be agreed upon by the member bank and the board of directors as the reasonable value thereof, or may, at any time after the issuance of such certificate or certificates, purchase the same for such sum in cash as may be then agreed upon by such bank and by the board of directors as the then reasonable value thereof.

(8) *Termination of corporate existence.* The corporate existence of the corporation may be terminated at a meeting of the corporation duly called for the purpose, by an affirmative vote of not less than sixty-six and two-thirds per cent of the total number of member banks having not less than sixty-six and two-thirds per cent of the total deposit liability of all member banks, not including member banks which have given notice of a desire to withdraw. If so terminated, the affairs of the corporation shall be liquidated by the directors acting as trustees in liquidation under the supervision of the commissioner, and distribution of the net assets shall be made to member banks in proportion to the total deposits of each member bank in the corporation.

(9) *Not to be deemed an insurance company. Reports.* The corporation shall not be deemed an insurance company within the meaning of the laws of the state of Connecticut relating to insurance or providing for the supervision of insurance companies, but it shall be under the general supervision of the bank commissioner. Notwithstanding any other provision of law, the bank commissioner shall make available to the corporation the records and files of his office as to the management and condition of each member bank, and of any savings bank whose application for membership is pending, and he shall assist the corporation to the extent of his powers in its efforts to improve the management and condition of each member bank. The corporation shall, each year, on or before the first day of November, file with the commissioner a true report, signed and sworn to by its president and by its treasurer or secretary, of its financial condition on the thirtieth day of September next preceding, in such form and with such detail as shall be prescribed by the commissioner. The commissioner shall make said reports available to all member banks.

(10) § 1124b. (1951). This subsection is repealed.

(11) *Tax exemption.* The corporation and its property and income shall be exempt from all taxation by the state of Connecticut, or by any county, town, municipality or other governmental agency within this state, except that any real property now or hereafter owned by it shall be subject to local taxation to the same extent according to its value as other similar real estate is taxed.

New (12) § 1125b. (1951). Purchase of certificates.

(a) The board of directors of the corporation may, for the purpose of attaining an equalization of the deposit ratio of all member banks, purchase from time to time certificates of deposits from any member bank whose deposit ratio exceeds the average deposit ratio as of the preceding September 30 as follows:

1. Whenever the deposit liability ratio of the corporation exceeds one and one-half per cent, to the extent of the excess; or
2. Whenever the surplus of the corporation exceeds twenty-five per cent of the total deposits of all member banks with the corporation, to the extent of such excess, provided such purchases do not reduce the deposit liability ratio below one and one-quarter per cent; or
3. To the extent that deposits are made with the corporation by member banks in accordance with subdivision (h) of subsection (3) of this section.

(b) Purchases of certificates of deposit by the corporation in any fiscal year, in excess of deposits made by member banks with a corporation in accordance with said subdivision (h), shall be proportioned among all member banks whose deposit ratios exceed the average deposit ratio, according to the ratio between excess deposits of each such member bank and the total excess deposits of all such member banks.

New (13) § 1125b. (1951). Premium refunds.

(a) The board of directors may make a refund of premiums to member banks to the extent of seventy-five per cent of net premium income, provided such refund of premium does not reduce the deposit liability ratio below one and one-quarter per cent. Such refund of premiums shall be computed upon the premiums paid by member banks under subsection (3) for the preceding year ending September 30.

(b) Premium refunds to member banks whose deposit ratio shall be less than the average deposit ratio as of the preceding September 30 shall be paid in the same manner as would a dividend to such member bank.

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BY-LAWS

THE SAVINGS BANKS' DEPOSIT GUARANTY FUND OF CONNECTICUT, INCORPORATED

NOTE - The Sections of the 1943 Act cited in the by-laws are now the subsections of Section 5658 with the same numbers.

ARTICLE I

MEMBERS OF THE CORPORATION

Certified Copies of Votes

Section 1. Each member of the corporation shall at all times have on file with the Secretary of the corporation an attested copy of the vote of its trustees or authorized committee, designating one or more officers or trustees of such member, any one of whom is authorized to represent it and vote on its behalf at meetings of this corporation.

Expulsion

Section 2. Whenever a member shall give just cause for expulsion from membership, in accordance with the provisions of Section 5 (d) of the 1943 Act under which this corporation is operating, the Board shall notify such member and the Bank Commissioner of such finding and state a time and place at which said Board will give such member an opportunity to be heard thereon and if, at such time and place, such member shall not appear and satisfy the Board of Directors in regard thereto, said Board may then by a three-fourths vote of all the directors vote to expel such member from membership in the corporation, effective not less than sixty days after the date of the meeting.

Section 3. The Board of Directors shall recommend to member banks the form in which they shall proclaim their membership in this corporation.

ARTICLE II

MEETINGS OF THE CORPORATION

Annual Meeting

Section 4. The annual meeting of the corporation shall be held at such place within the State of Connecticut and on such day in the month of September or October as the Board of Directors may designate from time to time.

Special Meetings

Section 5. Special meetings of the corporation may be called by the President at any time, and shall be called by the President, or the Secretary, upon written request of fifteen members, or as required by Section 7 of said Act.

Quorum

Section 6. Fifteen members shall constitute a quorum for the transaction of business, but any number less than a quorum may adjourn any meeting to a fixed date.

ARTICLE III

DIRECTORS

Section 7. The affairs of the corporation shall be managed by a board of eleven directors, to be chosen from the list of authorized representatives of member banks on file with the Secretary of the corporation, as provided in Article I, Section 1. Except when the provisions of the 1943 Act under which this corporation is now acting shall require action at a meeting of the member banks, the Board of Directors shall have full authority to exercise all the powers of the corporation stated in Sections 2, 3 and 5 of said Act. The Directors serving at time of the adoption of these by-laws shall continue to serve for the duration of the term for which they were elected, and thereafter annually successors to Directors whose terms shall then expire shall be elected for the term of two years and until their successors shall be chosen and qualified.

Section 8. For the purpose of the election of Directors the member banks are divided into the following groups:

Group 1 shall consist of member banks located in the towns of New Haven, Ansonia, Branford, Derby, Guilford, Meriden, Middletown, Milford, Southington and Wallingford.

Group 2 shall consist of member banks located in the towns of Hartford, Berlin, Bristol, Canton, Cromwell, Farmington, Manchester, New Britain, Stafford, Suffield, Tolland and Vernon.

Group 3 shall consist of member banks located in the towns of Bridgeport, Danbury, Fairfield, New Canaan, Newtown, Norwalk, Ridgefield and Stamford.

Group 4 shall consist of member banks located in the towns of Waterbury, Canaan, Litchfield, Naugatuck, New Milford, Norfolk, North Canaan, Thomaston, Torrington, Winchester and Woodbury.

Group 5 shall consist of member banks located in the towns of New London, Chester, East Haddam, Essex, Griswold, Groton, Killingly, Norwich, Putnam, Saybrook and Windham.

Group 6 shall consist of all member banks wherever located in this State.

Number of Directors Per Group

Section 9. The member banks comprising Group 1 shall be entitled to elect two Directors.

The member banks comprising Group 2 shall be entitled to elect three Directors.

The member banks comprising Group 3 shall be entitled to elect two Directors.

The member banks comprising Group 4 shall be entitled to elect one Director.

The member banks comprising Group 5 shall be entitled to elect one Director.

The member banks comprising Group 6 shall be entitled to elect two Directors.

Directors How Elected

Section 10. In Groups 1 to 5 inclusive the members of the several groups shall vote for Directors in group meetings which shall be called by the Chairman or Secretary of that group, and the result of such election in each of such groups shall be certified to the Secretary of the corporation by the Secretary of each group so that such certificate shall be in the hands of the Secretary of the corporation before the annual meeting of the corporation. If any such certificate from any group shall not have been received by the Secretary of the corporation before such meeting the members of that group present at the meeting shall thereupon vote at such meeting by a separate ballot for the Directors for which that group filing no certificate shall be entitled to vote, and the person or persons thus chosen shall be declared elected a Director or Directors on behalf of that group.

Section 11. In Groups 1 to 5 inclusive each member bank shall be entitled to one vote in the election of Directors to represent that group.

Votes of Group 6

Section 12. In Group 6 the member banks of the corporation shall be entitled to vote for Directors representing Group 6, otherwise known as Directors-at-Large, at the annual meeting of the corporation, and in such election of Directors-at-Large, each member bank shall be entitled to one vote for each Ten Million Dollars in deposits, or fractional part thereof, which each member bank showed in its then last statement filed with the Bank Commissioner, and the member banks may vote by written ballot deposited with the Secretary before the polls are closed.

Vacancies in Office of Group

Section 13. In case any vacancy shall occur in the office of any Director elected by one of Groups 1, 2, 3, 4 or 5, a successor to hold office for the unexpired term shall be elected by the same group at a meeting of the group; and the result of such election to fill a vacancy shall be certified forthwith to the Secretary of the corporation.

Vacancies in Office of Director-at-Large

Section 14. In case any vacancy occurs in the office of Director-at-Large elected by Group 6, composed of all the members of the corporation a successor to hold office for the unexpired term may be elected at a meeting of the corporation, or in the discretion of the Board of Directors and under such rules as it may promulgate, may be elected by mail vote of the members of that group.

Election of Officers

Section 15. A regular meeting of the Board of Directors shall be held immediately following the adjournment of the annual meeting of the members of the corporation and at the same place, without further notice, for the purpose of electing officers and transacting any other business proper to come before such meeting.

Board Meetings

Section 16. The Board of Directors shall meet quarterly and may from time to time prescribe the dates for other meetings of the Board and special meetings may be called any any time by the President and shall be called by the Secretary upon the request of any three members of the Board. Six Directors shall constitute a quorum at all meetings of the Board of Directors.

Section 17. At elections held after January 1, 1944 no Director shall be eligible for re-election if he shall have served two consecutive terms, but after an interim of at least one full year he may again be eligible. An election to fill a vacancy in a term having at least one full year unexpired shall count as a full term within the meaning of the foregoing provisions.

ARTICLE IV**OFFICERS****Officers**

Section 18. The officers of the corporation shall consist of a President, a Vice President, an Executive Vice President, a Secretary and a Treasurer to be elected by the Board of Directors and to hold office until the next annual meeting and until others shall be chosen and qualified in their stead. The President and Vice President (except the Executive Vice President) shall be chosen from the members of the Board of Directors.

Employees

Section 19. The Board of Directors may from time to time appoint or employ such other officers, or employees, as may in their judgment be necessary for the proper conduct of the affairs of the corporation. They shall prescribe their duties and such appointees shall hold office during the pleasure of the Board.

Duties of President

Section 20. It shall be the duty of the President to preside at each meeting of the corporation, of the Board of Directors and of the Executive Committee. He shall exercise general supervision over the business and affairs of the corporation. During the absence or disability of the Executive Vice President the President shall be the active managing officer of the corporation.

Duties of Executive Vice President

Section 21. The Executive Vice President shall be a salaried officer who shall devote his entire business time to the affairs of the corporation. He shall have the active management of and direct superintendence over the business, property and affairs of the corporation, subject to the authority of the President and the Board of Directors. In the performance of his duties he shall exercise such authority over the subordinate officers and employees as shall be necessary or appropriate. He shall receive notice of, and attend all meetings of the Board of Directors, of the Executive Committee and of the Advisory Committee and may act, if chosen, as clerk of any committee of the corporation.

Duties of First Vice President and of Second Vice President

Section 22. In the absence or incapacity of the President his duties (including those in connection with the Executive Committee) shall devolve upon and be performed by the Vice President. Each Vice President shall also perform such other duties as the Board of Directors or the President may require.

Duties of Secretary

Section 23. The Secretary shall make and keep the records and minutes of all meetings of the corporation and of the Board of Directors. He shall prepare and send out all notices of meetings and other notices as directed by the Board or by the President. He shall perform all other duties incident to his office or delegated to him by the Board of Directors or by the President.

Duties of Treasurer

Section 24. The Treasurer shall be a national bank or a state bank and trust company located in the State of Connecticut. Subject to the direction of the President and of the Board of Directors or Executive Committee, it shall receive and receipt for all moneys due to the corporation; it shall have charge of all the funds and securities of the corporation; it shall duly disburse all moneys subject to the direction of the Board of Directors or of the Executive Committee; it shall pay expense bills of the corporation upon certification of any officer, providing such payments come within the limits of a budget or authorization duly passed by the Board of Directors or Executive Committee authorizing such expenses to be incurred by such officer, and it shall, prior to November 1st in each year, and oftener as required, submit to the Board of Directors a true statement of all its receipts and disbursements.

Loans and Advances

Section 25. In the case of loans to members of the corporation upon notes signed by them or in case of other advances or the purchase of assets from member banks or for the payment of depositors in a bank in liquidation, the Treasurer shall disburse the funds of the corporation on a certificate or voucher signed by the President, or the Vice President, of the corporation and attested by the Secretary or by the clerk of the Executive Committee, stating the amount of the loan or advance, its terms, and collateral, if any, securing the same and stating that the loan or advance in question on such terms has been approved by the Board of Directors or by the Executive Committee, as the case may be.

ARTICLE V

COMMITTEES

Executive Committee* - Powers** - Emergency Appointments***

Section 26. * The Board shall appoint not less than three nor more than five Directors who, together with the President and the Vice President, shall constitute an Executive Committee. The President or Vice President and two other members shall constitute a quorum for the transaction of business. Such members shall hold office until the next annual meeting and until others shall be appointed and qualified in their stead. ** It may adopt from time to time such rules and regulations in regard to the affairs of the corporation as in its judgment are necessary for the security and safety of the corporation, provided that such rules shall not conflict with the by-laws or with rules adopted by the corporation or the Board of Directors. It shall have power to make investments of the funds of the corporation within the limits prescribed by the Act under which this corporation is operating, to sell any investments or other assets, real or personal, of the corporation and to authorize any officer to execute the necessary instruments for the transfer of the same. It shall have power to borrow money whenever it shall be deemed advisable to do so for the purposes of the corporation and to secure such loans by a pledge or mortgage of any of the property, real or personal, of the corporation, and to authorize any of its officers to execute a note or notes for such loan and to execute the necessary instruments to secure such loans. Unless and until the Board of Directors shall otherwise designate it shall designate the banks and trust companies in which funds of the corporation may be deposited. In addition to and without limiting the foregoing, whenever in its opinion the occasion shall require action before the next meeting of the Board of Directors, it shall have all the powers of the Board of Directors, except that it shall not be authorized or have power to make any call on the members of the corporation to deposit moneys with it. It shall have power to appoint a clerk of the Committee, who need not be a member of the Committee. A full record of the proceedings of the Executive Committee shall be submitted to the Board of Directors at each meeting thereof. *** If, in the opinion of the President or the Vice President who is acting as President, an emergency exists and it is impossible to get a quorum to act in the available time, he may appoint a member or members of the Board of Directors to act temporarily as a member of the Executive Committee to provide a quorum, to enable it to function during the emergency.

Advisory Committee

Section 27. The Board of Directors shall annually appoint five authorized representatives of member banks, any of whom may be directors of this corporation, who together with the President shall constitute the Advisory Committee. It shall be the duty of the Advisory Committee to inquire into the financial condition and management policies of each member bank and to advise any member bank of the action it may consider necessary or advisable to place or preserve such member bank in a condition to properly safeguard the interests of its depositors. If such advice is not followed to the complete satisfaction of the Committee, it shall so report to the Board of Directors at their next meeting together with its recommendation as to the action the Board of Directors should take under Section 5, Paragraph (d) of said Act. The Advisory Committee shall have access to all of the information concerning the condition of member banks contained in the records and files of the Bank Commissioner, as provided in Section 9 of said Act, and the Committee shall also have the authority to require such additional information from member banks as it may consider necessary for the proper exercise of its duties. The Advisory Committee shall meet monthly and special meetings may be called at any time by the President or the Chairman of the Committee. It shall also report in writing to the Board at each quarterly meeting and oftener as required by the Board.

Other Committees

Section 28. The Board of Directors may constitute and appoint from time to time such other committees as may be found necessary or convenient for the transaction of the business of the corporation or for the attainment of its purposes, and in each instance it may prescribe their duties. The President shall be a member ex officio of every committee of the Board.

ARTICLE VI

CALLS FOR DEPOSITS

Calls for Deposits

Section 29. Whenever the Board of Directors, as provided in Section 3, Paragraph (e) of said Act, shall have made a call upon the members of the corporation to deposit moneys with it on or before a date specified in said call, interest at the rate of six per cent per annum shall run from the day stated in such call on all amounts not paid on or before such date as a penalty for failure to make such payment when due.

How Made

Section 30. All deposits in response to a call shall be made in cash except as hereinafter provided. In the event that a member shall request the privilege of making his deposit in securities, such privilege shall only be granted to the extent that such securities shall be approved by the Board of Directors.

Exemptions

Section 31. Whenever in connection with a call upon members for a deposit it shall be represented that the payment of such deposit in whole or in part by any member or members would work a hardship on such member or members because of special circumstances surrounding them, the Board of Directors may inquire into the circumstances and may exempt such member or members, in whole or in part, or temporarily, from any such call if in its judgment such exemption is expedient.

ARTICLE VII

AMENDMENTS

These by-laws may be amended at any meeting of the corporation provided written notice of such proposed action shall have been given in the call for such meeting.

Adopted at Annual Meeting October 22, 1943.

MASSACHUSETTS

THE DEPOSIT INSURANCE FUND OF THE MUTUAL SAVINGS CENTRAL FUND, INC.

SUMMARY

Established: 1934.

Purpose: To insure in full the deposits of all savings banks established under the laws of Massachusetts.

Number of Member Banks: 189.* One of these banks is also a member of the Federal Deposit Insurance Corporation.

Amount of Insured Deposits: \$4,626,000,000.* 1/

Amount of Fund Available For Insurance of Deposits: \$36,831,157.*

Ratio of Fund to Insured Deposits: 0.80%.* (For the Federal Deposit Insurance Corporation the ratio of the deposit insurance fund to insured deposits June 30, 1956 was 1.48%, while the ratio of the fund to total deposits in insured banks was 0.82%)

Form of the Fund: Over 99% in cash or United States Government securities.

Potential Other Resources: The directors may borrow money and pledge as security any assets in which the fund is invested. The directors, with the approval of the Commissioner of Banks, may assess the member banks not more than three-fourths of one percent of their deposits (excluding club deposits). This represents the unused portion of a power to assess members one percent of such deposits. The one-fourth of one percent which was called is termed the "Original Assessment".

Annual Assessments: Assessments of one-sixteenth of one percent of each member's deposits (exclusive of club deposits) may be made annually. The directors, with the approval of the commissioner, may reduce or waive such assessment, and the assessments beginning in 1952 have been reduced to one-twenty-fourth of one percent.

Ownership of the Fund: The Mutual Savings Central Fund, Inc. has unlimited life, but the Deposit Insurance Fund may be dissolved and liquidated upon a vote of four-fifths of its members, providing the Commissioner of Banks gives his approval. After the payment of any obligations of the fund, the balance would be distributed to the members, (in general) upon the basis of the unreturned assessments each has paid.

* October 31, 1956.

1/ Partly estimated by the Deposit Insurance Fund.

Cost of Insurance: Since the member banks are entitled to the proceeds from the assets in the Deposit Insurance Fund should it ever be liquidated, the ultimate cost to them of the protection afforded cannot be determined at present.

Deposit Insurance Fund, Book Value of Assets available for Insurance of Deposits:	\$36.8 millions*
Total Assessments (Original and annual) collected from members prior to October 31, 1956:	\$34.4 millions
Excess Book Value of Assets over Assessments:	\$ 2.4 millions
Total Dividends Paid to Members:	\$.9 million

If the member banks were allowed a return on their assessments (on the assumption that the payments are returnable rather than being current expenses) at the rate of 2 3/4% this would amount to nearly \$9.6 millions and the cost of insurance until October 31, 1956 would have been approximately \$6.3 millions.

Estimated assessments these banks would have paid to the Federal Deposit Insurance Corporation had they been members in the years 1935-1956 total \$40.0 millions.

Activities of the Fund: Prior to October 31, 1956, one very small bank had been liquidated, and funds had been advanced to seven other banks.

At that date total advances had been	\$6,060,000.00
Repayments received	\$4,256,066.44
Unrepaid and Charged to Profit and Loss	<u>\$1,803,933.56</u>

Concentration of Risk: On December 31, 1955 total deposits in the 189 savings banks in Massachusetts amounted to \$4,482 millions. Of this, \$833.6 millions or 18.6% were in the five largest banks; while \$1,259.4 millions or 28.1% were in the ten largest banks. The Deposit Insurance Fund held assets valued at \$34.2 millions.

Differences between the types of assets held by the members of the Deposit Insurance Fund in Massachusetts and by all the members of the FDIC December 31, 1955 are shown below.

Percentage of total assets:	Mass. Savings Banks	All Banks Insured by FDIC
Cash and balances with other banks	2.0%	20.4%
U. S. Government obligations, direct and guaranteed	33.8%	28.7%
Other Securities	10.7%	8.3%
Loans and Discounts	52.8%	41.2%
Other Assets	.7%	1.4%
Total Capital Accounts	10.3%	7.3%

* October 31, 1956.

The percentages of "risk assets" to total assets do not differ greatly, being 41.5% for the Massachusetts savings banks and 43.4% for all banks insured by the FDIC.^{2/} The percentage of total capital to "risk assets" was 24.8 for the Massachusetts savings banks and 16.8 for all banks insured by the FDIC. However, the risks of the banks in Massachusetts are actually much more concentrated in real estate loans and these are limited to a small geographical area. The relative importance of these loans is shown below.

	<u>Mass. Savings Banks</u>	<u>All Banks In- sured by FDIC</u>
Loans on real estate as a percentage of total assets	52.2%	14.8%
Loans on real estate as a percentage of total loans	98.3	35.3
Loans insured or guaranteed by the FHA or VA as a percentage of loans on Real estate	43.6	47.7
Total capital accounts as a percentage of real estate loans not insured or guaranteed by the FHA or VA	34.9	94.6

^{2/} "Risk Assets" are total assets less cash, balances with other banks, cash collection items, U. S. Government obligations direct and guaranteed, and loans guaranteed by the Commodity Credit Corp., the FHA or the VA.

MASSACHUSETTS MUTUAL SAVINGS CENTRAL FUND, INC.

In the State of Massachusetts two funds--a liquidity fund and a deposit insurance fund--are operated by the Mutual Savings Central Fund, Inc. The Mutual Savings Central Fund, was created by statute in 1932, and all savings banks chartered under the laws of Massachusetts were made members of the Corporation.

The corporation has been administered by a board of fifteen directors chosen by the member banks. Directors must be corporators or officers of member banks. The corporation must make semiannual reports of its condition and the result of its operation to each member bank. The Commissioner of Banks is required to annually examine the affairs of the corporation and report his findings and recommendations to its directors.

THE LIQUIDITY FUND

Purpose: The original purpose of the corporation (which then envisaged only the liquidity fund) was:

"... to assist such member banks, when they are temporarily in need of cash or hold investments which cannot readily be liquidated, by making loans to them...." 3/

Assessments: The directors of the corporation were empowered to levy assessments upon the members, requiring each bank to make deposits with the corporation up to a maximum of three percent of the bank's deposit liability exclusive of club deposits. The corporation issued non-negotiable certificates of deposit to the member banks for the assessments paid in. A number of the banks have written down the value of these certificates, showing it as one dollar in their financial statements. These deposits are not subject to withdrawal except with the approval of the directors. Unless the bank is

3/ Acts of 1932, Ch. 44, Sec. 1.

being liquidated the directors shall not permit a member to make withdrawals without, at the same time, extending to all other members the right to withdraw the same proportion of their deposits.

Two assessments, each for 0.15 of one percent of deposit liability, were levied upon the members in 1932. The sum collected by the corporation at that time was \$6,450,509.68. In 1934 one-half of these deposits was returned to the member banks. In 1956 a call for 0.05 of one percent was made upon the members, yielding \$2,202,337.10. Thus, the corporation is authorized to make additional assessments amounting to 2.80 percent of the deposit liabilities of the member banks.

Powers: The corporation was given the power to borrow money and to pledge its assets as security. It may make loans to member banks. Money which is part of the liquidity fund, but which is not being used to assist a member bank, may be invested in certain types of bills of exchange, obligations of the United States or of the State of Massachusetts, or deposited in national banks or trust companies in that State.

Operations: Eleven banks have borrowed a total of \$5,087,000 from this liquidity fund, but the maximum amount outstanding at any time was \$2,122,628. These loans were all repaid in 1939, and no further applications have been received.

On October 31, 1956, the liquidity fund, which consists of cash or U. S. Government securities, held deposits from member banks of \$5,427,128.61, and had a surplus of \$317,761.86. The fund paid dividends every year, beginning in 1933. Since 1948 these have been at the rate of two percent per annum.

THE DEPOSIT INSURANCE FUND

Establishment: An act was passed in 1934 requiring the Mutual Savings Central Fund, Inc. to establish a fund for the insurance in full of deposits in all savings banks incorporated under the laws of Massachusetts and certified by the Commissioner of Banks to be in a sound and safe condition to transact the business for which they were organized. This fund, which must be invested separately from other monies of the corporation, was originated by an immediate cash payment by the members equal to one-quarter of one percent of their deposit liabilities (excluding club deposits). The banks remained liable for further payments, to be made at the direction of the Commissioner of Banks, amounting to three-quarters of one percent of their deposits. Only the initial payment, now designated the "Original Assessment" and amounting to \$5,061,797.44, was required. Each bank may, to the extent authorized by the commissioner, carry the original assessment on its books as an asset. In practice, a number of the banks value this payment at one dollar in their financial statements.

Annual Assessments: The statute was subsequently amended and, beginning in 1939, each member bank was required to pay to the corporation an annual assessment equal to one-sixteenth of one percent of its deposits (exclusive of club deposits). By further amendment, the directors of the Deposit Insurance Fund are permitted to reduce or waive entirely the annual assessments. Assessments at the rate of 1/16 of one percent were collected October 1, 1939 through October 1, 1951. By action of the directors the rate has been one twenty-fourth of one percent since October 1, 1951.

Investments: The Deposit Insurance Fund, except for money in use for the purpose of assisting banks which have experienced difficulties, must be

invested in (a) certain types of bankers acceptances, (b) obligations of the United States, (c) obligations of the State of Massachusetts; or deposited in national banks located in that State or in trust companies chartered there. The report of the Deposit Insurance Fund for October 31, 1956 shows more than 99% of the reported assets of \$36,957,838.54 to be cash or United States Government securities.

Dividends: The corporation may, with the approval of the commissioner, pay dividends to member banks at such rates and at such times as the directors may determine. These distributions shall be apportioned among the members upon the basis of the amounts paid in by them to the Deposit Insurance Fund or upon the unexpended portion thereof. Dividends have been paid only in 1950 and 1951, each at the rate of two percent.

Refund to a Bank Liquidating Voluntarily: In case of a bank which undertakes voluntary liquidation in the manner prescribed by law, the corporation shall, provided its directors are satisfied that such bank has paid or will be able to pay its depositors in full, return the unexpended portion as determined by said directors, of all assessments paid by such bank to the Deposit Insurance Fund, except the assessments paid annually beginning in 1939.

Methods by Which the Deposit Insurance Fund May Protect Depositors.

Whenever it appears to the Commissioner of Banks that it is inadvisable or inexpedient for any member bank to continue to transact business without receiving financial assistance he may so notify the corporation. If the directors of the corporation determine that such action may reduce the risk or avert a threatened loss to the corporation, or may facilitate a merger or consolidation of such bank with another bank, or may facilitate the sale of the assets of such bank to and the assumption of its liabilities by one or more other member banks, the cor-

poration, with the approval of the commissioner and in order to effect the purposes of the act, may do one or more of the following: (a) purchase from said bank all or part of its assets at book value or some other value mutually agreed upon: (b) make loans, secured in whole or in part, to such bank: (c) pay to the bank an amount not in excess of the difference between the book value and the fair value of certain or all the assets of such bank, with the requirements that the bank write down these assets to their fair value and if the assets are disposed of for more than the said fair value the excess shall be paid to the corporation: (d) pay into the guaranty fund or profit and loss account of such bank an amount not in excess of the difference between the book value and the fair value of certain or all of the assets of the bank, an agreement being made that the bank is to return this sum to the corporation. After January 1, 1957, such financial assistance may also be extended to member banks upon the approval of two-thirds of the directors of the corporation and the commissioner, without the requirement of a determination that it is inadvisable or inexpedient for a bank to continue to do business without assistance. However, aid under this provision is limited to five percent of the deposits of such bank or five hundred thousand dollars, whichever is the greater.

When the Deposit Insurance Fund provides financial assistance to a member, agreements, which must have the approval of the Commissioner of Banks, are made between the Central Fund and the bank.

"These provide, among other things, that the personnel shall be satisfactory to the Central Fund, that the Central Fund may appoint its own representative in the institution, that it reserves the right to approve any material increases in expenses, or increases or decreases in the dividend rate paid to depositors. The Central Fund reserves the right to restrict real estate loans and to approve sales or pledges of assets. The bank is required to submit periodic reports to the Central Fund which has the right of access to the books

of the institution. In addition there is a provision for the payment of nominal interest on the advance.

"The agreements provide for repayments to the Central Fund only from surplus funds and only to the extent that the remaining surplus is adequate to protect depositors. The question of repayments is reviewed annually, and the matter is determined by agreement between the bank and the Central Fund. If two parties cannot agree, the Commissioner of Banks resolves the matter." 4/

Under authority granted by law in 1956 the directors of the Central Fund may, to the extent deemed desirable by the commissioner, review the financial condition of any member bank and shall report with recommendations thereon to the commissioner. If, by a two-thirds vote the directors of the Central Fund so request, the commissioner may arrange a special examination, audit, and current appraisal of the assets of any member bank. The examination and audit are to be made by a certified public accountant, and the appraisal by a qualified person. The Deposit Insurance Fund must bear the expense of such special examination, audit, and appraisal. The Bank Commissioner is required to furnish to the directors of the Fund and to the member bank copies of the reports of the accountant and the appraiser. The commissioner is also authorized to furnish to the directors factual material in his possession regarding the condition of any member bank.

The directors of the Central Fund have authority to make recommendations to any member bank designed to correct practices or policies of the bank in conducting its business, including loan or dividend policies which the directors deem to be unsafe or unsound, or which have a tendency to impair the financial condition of the bank. If the bank fails to follow such

4/ Mutual Savings Central Fund, Inc., Annual Report 1955, p. 3.

recommendations the directors shall notify the commissioner. Should the directors believe that such practices or policies have impaired or are likely to impair the solvency of such bank, or are unreasonably increasing the insurance risk of the Deposit Insurance Fund, they shall so state to the commissioner. If the commissioner finds the bank to be in an unsafe or unsound condition for transacting business he may so certify. In that event, the corporation must take possession. However, if the bank is also a member of the Federal Deposit Insurance Corporation, only the commissioner has authority to take possession.

When the corporation has taken possession and control of the property and business of a bank it must operate such bank, subject to any rules and regulations prescribed by the commissioner, until the bank may resume business free from special controls or its affairs shall finally be liquidated. While the bank is being operated by the corporation, financial assistance may be rendered to it from the Deposit Insurance Fund. The control, possession and operation of any member bank may, with the approval of the commissioner, be returned to the bank by the corporation provided satisfactory arrangements have been made for repaying any sums owed to the Deposit Insurance Fund. However, the corporation after it has taken control, possession and operation of a member bank may, with the approval of the commissioner, and at his request shall, discontinue the business and proceed to liquidate the bank's affairs. If the business of the bank is thus discontinued the corporation must, within three years from that time pay the depositors the full amount of their deposits at the date of discontinuance with interest at a rate not to exceed three percent per annum from the last dividend date to the date of discontinuance. In the case of a bank which is a member of the Federal Deposit Insurance Corporation authority is vested in the Commissioner

of Banks to take and retain possession until the bank resumes business or is liquidated, and the Deposit Insurance Fund insures only those portions of any deposits which are in excess of the amount covered by the FDIC.

Only one small bank has been liquidated while seven other banks were advanced funds which permitted them to continue to operate. The balance sheet of the Deposit Insurance Fund, October 31, 1956, does not include among the assets any advances to member banks, but an appended note indicates that outstanding advances amounted to \$1,778,498.45.

Membership in the Federal Deposit Insurance Corporation: In 1956 the Massachusetts law was amended to permit savings banks incorporated in that State to become members of the Federal Deposit Insurance Corporation. In that year one bank availed itself of this privilege. Such membership must have been approved by vote of at least two-thirds of the trustees of such bank and by vote of at least two-thirds of its corporators. The Deposit Insurance Fund will continue to insure the portions of any deposits which exceed the amounts covered by the FDIC insurance (with certain exceptions, the legal limits upon the size of accounts in these banks are \$7,500 plus an equal amount of accumulated interest for individual accounts while double these amounts may be held in joint accounts). The depositors must be notified not later than thirty days after the effective date of the change in the insurance of their deposits.

Banks which become members of the Federal Deposit Insurance Corporation are not liable during such membership for annual or other assessments by the Massachusetts Deposit Insurance Fund except to the extent of annual assessments based on the deposits which are insured by the Fund, and computed at the same rate paid by other members of the Fund. The Deposit Insurance Fund

is directed to repay in cash to a bank becoming a member of the Federal Deposit Insurance Corporation a sum equal to the "original assessment" paid by such bank. The directors may, upon determining that the ratio of the Fund to insured deposits is greater than the minimum which they deem adequate, with the approval of the commissioner also make annual payments to such bank based upon the bank's participating interest in the fund.

Liquidation of the Deposit Insurance Fund: Upon a vote of four-fifths of the members of the fund, and with the commissioner's approval, the fund may be liquidated. The statute specifies the manner in which the proceeds of the fund are to be distributed among the member banks. This is, in general, in proportion to the total payments each bank has made into the fund, and which have not previously been repaid.

If, while the Deposit Insurance Fund is in operation, a member bank is liquidated voluntarily or becomes a member of the Federal Deposit Insurance Corporation, such bank is then entitled only to its share of the "original assessment". However, if the Massachusetts Deposit Insurance Fund is ever liquidated, member banks which are also members of the FDIC at the time will participate in the distribution of the proceeds when and if the "original assessment" has been fully repaid to all members of the Deposit Insurance Fund.

The cost to the member banks for the protection afforded through membership in the Deposit Insurance Fund cannot be finally determined until the fund is liquidated. Losses have been small, and earnings from its investments have been more than sufficient to compensate for the losses and to pay the Fund's operating expenses. Had the Deposit Insurance Fund been liquidated for book value on October 31, 1956, the members would have received approximately \$2.4 millions more than the total assessments which they have paid in. In ad-

dition, the members were paid dividends in 1950 and 1951 totaling \$934,177. Since the members of the Deposit Insurance Fund could have been repaid their assessments in full in 1956, the payments made into the fund should not, at that time, properly be regarded as irrecoverable expenses. Therefore, it may be asked what the protection given by membership in the Fund has cost in the form of potential income which was lost to the banks while the assessments were held by the Fund. A study of the earnings of all member banks for the period 1935-1956 indicates $2\frac{3}{4}\%$ to be a conservative estimate of the rate of earnings such banks could have made on the sums which they paid to the Deposit Insurance Fund. The member banks would have earned approximately \$9.6 millions had they been able to invest at that rate of return the amounts assessed by the Fund.

Risks Faced by the Deposit Insurance Fund: While the mutual savings banks of Massachusetts have an excellent record of safety, there are hazards inherent in an insurance plan the membership of which is confined to a comparatively small number of banks which are located in a limited geographical area. The Deposit Insurance Fund is faced with the possibility of all, or a large portion, of its members being affected at about the same time by adverse regional economic conditions. Also, there is danger that distrust caused by the difficulties of a few banks in the State will be communicated to the depositors of other members.

The fact that mutual savings banks concentrate their loans in the single field of real estate creates an added risk for an insurance fund the membership of which is confined to such banks. Loans on real estate constituted 98.3% of the total loans of the members of the Deposit Insurance Fund on December 31, 1955. Of these loans, 56.4% were insured or guaranteed

by the Federal Housing Administration or the Veterans Administration. Real estate loans which were not insured or guaranteed by the FHA or VA constituted 29.4% of total assets of savings banks in Massachusetts but only 7.7% of the total assets of all banks insured by the FDIC. The total capital of savings banks in Massachusetts is equal to 10.3% of their assets, compared with a figure of 7.3% for all banks insured by the FDIC (the ratios of capital to "risk assets" were 24.8% and 16.8% respectively). However, the capital of the savings banks represented only 34.9% of their real estate loans which were not insured or guaranteed by the FHA or VA, compared with a ratio of 94.6% for all banks insured by the FDIC.

The ability of the Deposit Insurance Fund to substantially increase its resources through the making of additional assessments on its members, as it has the power to do, would be questionable in a period of severe regional or national economic stress.

SAVINGS BANKS
AND
INSTITUTIONS FOR SAVINGS

STATUTES

OF

THE COMMONWEALTH OF MASSACHUSETTS

General Laws, Chapters 55, Section 7; 56, Section 58;
158, Section 17; 167; 168; 266, Sections 52-55, and
Amendments to December 31, 1933, Chapter 102,
Acts of 1927, Chapters 44, 122 and 217, Acts of 1932,
and Chapters 59, 111, 112 and 343, Acts of 1933.

OFFICE OF THE COMMISSIONER OF BANKS
ARTHUR GUY, Commissioner



PUBLICATION OF THIS DOCUMENT
APPROVED BY THE
COMMISSION ON ADMINISTRATION AND FINANCE

1500. 12-'33. Order 9913.

STATUTES

RELATING TO

BANKS AND BANKING

General Laws, Chapter 167.

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SUPERVISION.

Definitions.

SECTION 1. In this chapter, unless the context otherwise requires, the following words shall have the following meanings:

"Bank," a savings bank, co-operative bank, trust company or any person, partnership, association, or corporation, incorporated or doing a banking business in the commonwealth, subject to the supervision of the commissioner of banks.

"Commissioner," the commissioner of banks.

1908, 590, § 1.

1910, 399, § 1.

1919, 350 § 46.

259 Mass. 79.

Examination of Banks.

SECTION 2. The commissioner, either personally or by his examiners, or such others of his assistants as he may designate, shall, at least once in each year, make an examination of the affairs of each bank and ascertain its condition, its ability to fulfill its obligations and also whether it has complied with the law; and he may also, whenever he considers it expedient, make, at the expense of the bank, such further examinations as he deems advisable. The expenses of the annual examination of a trust company shall be borne by the company, and shall be limited to the actual cost of such examination and such additional sum for the overhead expenses of the division of banks and loan agencies as the

commissioner shall determine to be attributable to such examination. The commissioner or the person making the examination shall, at the time of any such examination, have free access to the vaults, investments, cash, books and papers. The commissioner shall preserve a full record of each such examination of a bank, including a statement of its condition, if ascertained. Such records, and information contained in the reports of such banks, other than information required by law to be published or to be open to the inspection of the public, shall be open only to the inspection of the commissioner, his examiners and assistants, and such other officers of the commonwealth as may have occasion and authority to inspect them in the performance of their official duties. The commissioner may furnish to the national bank examiners, the federal government, any organization created by federal legislation, or the banking departments of other states, such information, reports and statements relating to the institutions under his supervision as he deems best.

1838, 14, § 2.

1851, 127, § 2.

G. S. 57, § 3.

1866, 192, §§ 2, 8.

1876, 231, § 3.

P. S. 116, § 3.

1888, 51.

1894, 317, § 3.

R. L. 113, § 3.

1906, 204, §§ 1, 3, 5.

1908, 590, §§ 5, 69.

1909, 491, § 3.

1910, 622, § 1.

1912, 173.

1919, 350, §§ 45, 46, 49.

1922, 363, § 1.

1923, 406 § 1.

Commissioner may call Meeting of Officers relative to Examination.

SECTION 2A. Whenever the commissioner deems it expedient he may cause a meeting of the board of directors of a trust company or co-operative bank or the board of trustees of a savings bank to be held in such manner and at such time and place as he may direct. Any report of an examination of the affairs of such a bank under section two, any conclusions drawn therefrom by the commissioner and any directions or recommendations made by him relative thereto and any other matters concerning the operation or condition of such bank may be presented to such board by the commissioner in person or by such assistant as he may designate, and the person having custody of the records of such bank, hereinafter referred to as the recording officer, shall forthwith incorporate such directions and recommendations in the records of such meeting. Each director or trustee of such bank, who is present at such meeting shall forthwith sign a certificate or other acknowledgment in such form as may be prescribed by the commissioner that he has heard the directions and recommendations of the commissioner or read the records containing the same. The recording officer of such bank shall within seven days after the date of such meeting transmit to the commissioner the said certificates or other forms of acknowledgment signed as aforesaid and also an attested copy of the records of such meeting. The recording officer shall also within such period mail by registered mail an attested copy of the records of such meeting and a blank form for said certificate or other form of acknowledgment to each director or trustee who is absent therefrom, and each such director or trustee, unless excused by the commissioner for physical and mental incapacity or absence from the commonwealth, shall sign and return as soon as may be to the recording officer such certificate or other form of acknowledgment. The commissioner may make rules and regulations relative to the filing of such certificates or other form of acknowledgment by absent directors or trustees and relative to their transmission to him.

1933, 310.

Commissioner may summon and examine Officers. Penalty.

SECTION 3. The commissioner, or his examiners or such others of his assistants as he may designate, may summon the trustees, officers or agents of a bank, or any other witnesses, and examine them relative to the affairs, transactions and condition of the bank, and for that purpose may administer oaths. Whoever, without justifiable cause, refuses to appear and testify when so required, or obstructs the person making such examination in the performance of his duty, shall be punished by a fine of not more than one thousand dollars or by imprisonment for not more than one year.

1838, 14, § 3.

1839, 27.

1851, 127, § 3.

G. S. 57, § 5.

1866, 192, § 3.

1876, 231, § 3.

P. S. 116, § 4.

1894, 317, § 4.

R. L. 113, § 4.

1908, 590, §§ 6, 69.

1919, 350, §§ 45, 46, 49.

Examination of Bank on Request of Officers, etc.

SECTION 4. Upon written application on oath to the commissioner by five or more officers, trustees, creditors or depositors of a bank setting forth their interest and the reasons for making an examination and requesting him to examine such bank, he shall forthwith make a full investigation of its affairs in the manner provided in the two preceding sections.

1851, 127, § 4.
G. S. 57, § 6.

1866, 192, § 4.
1876, 231, § 3.

P. S. 116, § 5.
1894, 317, § 5.

R. L. 113, § 5.
1908, 590, §§ 7, 69.
1919, 350, §§ 45, 46, 49.

Removal and Punishment of Bank Officers who persist in Improper Practices.

SECTION 5. If, in the opinion of the commissioner, any officer of any bank, including a director or trustee thereof, shall have continued to violate any law relating to such bank or shall have continued unsafe or unsound practices in conducting the business of such bank or shall have used his official position in a manner contrary to the interests of such bank or its depositors or shall have been negligent in the performance of his duties, after having been warned in writing by the commissioner to discontinue any such delinquency, the commissioner shall certify the facts to a board composed of the state treasurer, the attorney general and the commissioner of corporations and taxation. In such event the board shall cause notice to be served on such officer, director or trustee to appear before such board, to show cause why he should not be removed from office. A copy of such notice shall be sent by registered mail to each officer, director or trustee of the bank affected. If, after granting the officer, director or trustee so summoned a reasonable opportunity to be heard, the said board finds that he has continued to be guilty of any such delinquency, the said board in its discretion, may order that such officer, director or trustee be removed from office and from all participation in the management of such bank. Copies of such order shall be served upon the delinquent officer and upon such bank, whereupon such officer shall cease to be an officer of such bank and shall no longer participate in any way in the management thereof; provided, that such order and the findings of fact upon which it is based shall not be made public or disclosed to any one except the delinquent officer and the other officers, directors and trustees of such bank, otherwise than in the course of any judicial proceeding under this section. The board shall thereupon transmit to the attorney general a transcript of the evidence and findings, and the attorney general shall, on behalf of the commonwealth, institute such proceedings as he may deem necessary. Any person removed from office as herein provided who thereafter participates in any manner in the management of any bank in this commonwealth shall be punished by imprisonment in the state prison for not more than five years or by a fine of not more than five thousand dollars, or both.

Within twenty days after the service of an order of removal under this section upon the person removed thereby, he may file a petition in the supreme judicial court for the county of Suffolk for a review of the removal; but, pending such review, the order shall remain in full force and effect. The court shall have jurisdiction in equity to annul, reverse or affirm such order, shall review all questions of fact and of law involved and may make any appropriate order or decree. The decision of the court shall be final and conclusive.

1838, 14, § 6.
1851, 127, § 10.
G. S. 57, § 9.

1866, 192, § 7.
1876, 231, § 3.
1878, 253, § 6.

P. S. 116, § 9.
1894, 317, § 9.
R. L. 113, § 9.

1908, 590, §§ 8, 69.
1910, 622, § 2.
1919, 350, §§ 45, 46, 49.
1933, 337.

Books and Accounts.

SECTION 6. The commissioner may prescribe the manner and form of keeping the books and accounts of a bank, the extent to which they shall be audited, and the manner of safeguarding the money and securities.

1879, 285, § 1.
1880, 228, § 1.

P. S. 116, § 39.
1894, 317, § 41.

R. L. 113, § 46.
1908, 590, §§ 12, 69.

1910, 622, § 3.
1919, 350, §§ 45, 46, 49.

Reports of Banks. Penalty.

SECTION 7. In addition to the reports required by law, banks shall make such other statements and reports to the commissioner as he may require. The commissioner shall furnish blank forms for all statements or reports required to be

made to him. Any bank neglecting to make the returns required by law or by the commissioner, or failing to amend such report within fifteen days after notice from him, shall forfeit to the commonwealth five dollars for each day during which such neglect continues, to be recovered by an information in equity in the name of the attorney general at the relation of the commissioner, brought in the supreme judicial court for Suffolk county.

1834, 190, § 11.	1866, 192, § 6.	1878, 253, § 2.	R. L. 113, § 49.
R. S. 36, § 83.	1867, 203, § 2.	P. S. 116, § 42.	1908, 590, §§ 13, 69.
1846, 49, § 86, § 2.	1876, 203, § 24.	1894, 317, § 44.	1912, 97.
G. S. 57, § 149.			1919, 350, §§ 45, 46, 49.

Penalty for Failure to make Returns, Reports, etc.

SECTION 8. The treasurer of any bank, or the officers or employees thereof charged with the duties and functions usually performed by the treasurer, who, for fifteen days after notice by the commissioner, fails to make any return, statement or report required by law or by the commissioner, or to amend such a return, statement or report if lawfully required by the commissioner, shall be punished by a fine of not more than one thousand dollars or by imprisonment for not more than one year, or both.

1896, 327.	1908, 590, §§ 14, 69.	1919, 5.	1920, 2.
R. L. 113, § 51.	1918, 257, § 464.	1919, 350, §§ 45, 46, 49.	1922, 367.

Annual Report to General Court.

SECTION 9. Annually, on or before the third Wednesday in January, the commissioner shall communicate to the general court an abstract of his report and such suggestions as he considers expedient relative to the general conduct and condition of banks, and on or before March fifteenth a statement of the condition of every bank, including banks in the hands of the commissioner, together with such other information relative to the affairs of the said banks, as, in his opinion, the public interest may require.

1834, 190, § 11.	1866, 192, § 6.	P. S. 116, § 42.	1908, 590, §§ 15, 69.
R. S. 36, § 83.	1867, 203, § 2.	1894, 317, § 44.	1910, 393.
1846, 49, § 86, § 2.	1876, 203, § 24.	R. L. 113, § 49.	1922, 104.
G. S. 57, § 149.	1878, 253, § 2.		

Appraisal of Real Estate offered as Security.

SECTION 10. Whenever in the opinion of the commissioner an excessive loan has been made, or is about to be made upon real estate, by a trust company or co-operative bank, he may cause an appraisal of such real estate to be made at the expense of the trust company or bank making the loan. One appraiser shall be named by the commissioner, one by the trust company or bank, and a third by the two thus named. The appraisers shall determine the value of the real estate and certify the same in writing to the commissioner and to the trust company or bank. If it shall appear from the appraisal that the loan is excessive, the commissioner may make such order in relation thereto as he deems advisable.

1912, 128.

1919, 350, §§ 45, 46, 49.

Returns may be destroyed.

SECTION 11. Returns to the commissioner under section twenty-six of chapter one hundred and seventy-two, records of examinations of banks made under section two of this chapter, reports made under section twenty-six of chapter one hundred and sixty-eight, and returns made under section forty-four of chapter one hundred and seventy, may, after five years from the date of their receipt, be destroyed or disposed of by order of their lawful custodian, and any proceeds received in the course of their disposal shall be paid to the commonwealth.

1916, 142.

1919, 350, §§ 45, 46, 49.

REGULATION OF BUSINESS.

Unauthorized Banking prohibited.

SECTION 12. No corporation, domestic or foreign, and no person, partnership or association except savings banks and trust companies incorporated under the laws of this commonwealth, or such foreign banking corporations as were doing

business in this commonwealth, and were subject to examination or supervision of the commissioner on June first, nineteen hundred and six, shall hereafter make use of any sign at the place where its business is transacted having thereon any name, or other words indicating that such place or office is the place or office of a savings bank; nor shall such corporation, person, partnership or association make use of or circulate any written or printed or partly written and partly printed paper whatever, having thereon any name or other words, indicating that such business is that of a savings bank; nor shall any such corporation, person, partnership or association, or any agent of a foreign corporation not having an established place of business in this commonwealth, solicit or receive deposits or transact business in the way or manner of a savings bank, or in such a way or manner as to lead the public to believe, or as in the opinion of the commissioner might lead the public to believe, that its business is that of a savings bank; nor shall any person, partnership, corporation or association, except as provided in section thirty-seven and except co-operative banks incorporated under the laws of this commonwealth and corporations described in the first sentence of this section hereafter transact business under any name or title which contains the word "bank" or "banking", or any word in a foreign language having the same or similar meaning, as descriptive of said business, or, if he or it does a banking business or makes a business of receiving money on deposit, under any name or title containing the word "trust," or any word in a foreign language having the same or similar meaning, as descriptive of said business.

1889, 452, § 1.	R. L. 113, § 11.	1909, 491, § 4.	1919, 350, §§ 45, 46, 49.
1893, 230.	1906, 377, § 1.	1914, 610.	1921, 78, § 1.
1894, 317, § 52.	1908, 590, §§ 16, 69.	3 Op. A. G. 250.	1922, 114.
			Op. A. G. (1920), 114.

Penalty therefor.

SECTION 13. The commissioner or his examiners may examine the accounts, books and papers of any corporation, person, partnership or association making a business of receiving money on deposit, or which has the word "bank", "banking", "banker", "bankers", or "trust", or any word in a foreign language having the same or similar meaning, in the name under which its business is conducted, in order to ascertain whether such corporation, person, partnership or association has violated or is violating any provision of the preceding section; and any corporation, person, partnership or association refusing to allow such examination or violating any provision of said section shall forfeit to the commonwealth one hundred dollars a day for every day or part thereof during which such refusal or violation continues. Any violation of this or the preceding section shall forthwith be reported by the commissioner to the attorney general. The said forfeiture may be recovered by an information or other appropriate proceeding brought in the supreme judicial or superior court in the name of the attorney general. Upon such information or other proceeding the court may issue an injunction restraining such corporation, person, partnership or association from further prosecution of its business within the commonwealth during the pendency of such proceeding or for all time, and may make such other orders or decrees as equity and justice may require.

1889, 452, § 1.	R. L. 113, § 11.	1914, 470.
1893, 230.	1906, 377, § 2.	1918, 44.
1894, 317, § 52.	1908, 590, §§ 17, 69.	1919, 350, §§ 45, 46, 49.
		1921, 78, § 2.
		Op. A. G. (1920), 114.

Joint Deposits regulated.

SECTION 14. Deposits may be received by any bank in the names of two persons, payable to either, or to either or the survivor. Such deposits or any part thereof, or any dividends thereon, may be paid to either of such persons or his assignee, whether the other be living or not, provided they are not then attached at law or in equity in a suit against either person, and the bank then has no notice in writing of any assignment of the account by either to any person other than an assignee to whom payment is being made hereunder. All such payments shall be valid.

1911, 228.	267 Mass. 112.	1933, 334, § 1.
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SECTION 15. Repealed, 1923, 40, § 2.

Interest on Sums deposited at Intervals.

SECTION 16. Savings banks and trust companies in their savings departments may contract, on terms to be agreed upon, for the deposit at intervals within any period of twelve months, of sums of money in the aggregate not in excess of the statutory limit on deposits in savings banks, and for the payment of interest on the same at a rate not more than one per cent less than the rate of their last regular dividend on savings deposits. A sum thus accumulated, if left in such a depository as a regular savings deposit within fifteen days after the date on which money ordinarily begins to draw interest, may, if the depository so provides, draw interest from such prior date.

1919, 37, § 1.

240 Mass. 485.

241 Mass. 274.

245 Mass. 150.

SECTION 17. Repealed, 1933, 334, § 2.

Payment of Unearned Dividends prohibited. Penalty.

SECTION 18. An officer, agent, clerk or servant of a trust company or savings bank who pays or authorizes the payment of any dividend or interest unless the same has been earned and collected as provided in the preceding section shall be punished by a fine of not more than one thousand dollars or by imprisonment for not more than six months.

1919, 326, § 2.

Return of Vouchers. Notices.

SECTION 19. A depositor's vouchers may be returned by mailing the same to him, at his last known address, postage prepaid, and such depositor may, when required to notify the bank, give notice in like manner.

1912, 277, § 2.

Lost Pass Books.

SECTION 20. When a pass book issued by a savings bank, a co-operative bank or the savings department of a trust company has been lost, stolen or destroyed, the person in whose name it was issued or his legal representative, may make written application to such bank, for payment of the amount of the deposit represented by said book or for the issuance of a duplicate book therefor. Thereupon with the written consent of the bank, he may give, or authorize the bank at his expense to give, public notice of such application by advertising the same at least once a week for three successive weeks in a newspaper published in or nearest to the town where such bank is situated. If such book shall not be presented to said bank within thirty days after the date of the first advertisement, as aforesaid, the bank shall, upon proof that such notice has been given, pay the amount due on said book or issue a duplicate book therefor; and upon such payment or delivery of a new book, all liability of the bank on account of the original book shall cease. The provisions of this section shall apply to trust company certificates of deposit and to matured and paid-up share certificates of co-operative banks.

1908, 590, § 40.

1909, 491, § 6.

1912, 171.

1933, 190.

LIQUIDATION.

Certain Public Officers may participate in certain Bank Reorganizations.

SECTION 20A. Any officer of the commonwealth or of any political subdivision thereof, or of any public or quasi-public body or corporation, receiving public or quasi-public moneys, including trust and sinking funds, who lawfully and in good faith and in the exercise of due care has deposited any of such moneys to the credit of any political subdivision of the commonwealth, or of any department, board, commission or other activity of the commonwealth or of any political subdivision thereof, or of any such body or corporation, as the case may be, in a bank as defined in section one, or in a national banking association doing business within the commonwealth, may, subject to the approval hereinafter required, on behalf of

the commonwealth or political subdivision thereof or of the public or quasi-public body or corporation, on behalf of which such moneys were deposited, and without thereby incurring any personal liability for the loss of any such moneys by reason of any reorganization hereinafter referred to, assent to and participate in a plan of reorganization of such bank or national banking association, if such plan shall have previously been approved by the commissioner or by the comptroller of the currency, as the case may be, and may enter into all necessary agreements in connection therewith. The state treasurer, subject to the approval hereinafter required, may act under authority of this section as to any public moneys deposited by himself or any other officer of the commonwealth to the credit of the commonwealth and not specifically to the credit of any department, board, commission or other activity thereof.

No action shall be taken under authority of this section unless and until approved, in case of action of the state treasurer or any other officer of the commonwealth, by the governor and council; in case of action of any officer of a county, city or town, by the county commissioners, mayor and city council, or board of selectmen, as the case may be; in case of action of any officer of a district, by the prudential committee thereof, or other officer or board exercising similar powers therein; and in case of action of any officer of a public or quasi-public body or corporation, by its board of directors or board of trustees or other officers or board thereof exercising similar powers.

1933, 292.

SECTION 21. Repealed, 1922, 411.

When Commissioner may take Possession of Bank. Voluntary Dissolution.

SECTION 22. Whenever it shall appear to the commissioner that any bank has violated its charter or any law of the commonwealth, or is conducting its business in an unsafe or unauthorized manner, or that its capital is impaired, or if it shall refuse to submit its books, papers and concerns to the inspection of the commissioner or of his duly authorized agents, or if any officer of such bank shall refuse to be examined on oath by the commissioner or his duly authorized assistants touching its concerns, or if it shall suspend payment of its obligations, or if from an examination or from a report provided for by law the commissioner shall have reason to conclude that such bank is in an unsound or unsafe condition to transact the business for which it is organized, or that it is unsafe and inexpedient for it to continue business, the commissioner may take possession forthwith of the property and business of such bank and may retain possession thereof until the bank shall resume business or until its affairs shall finally be liquidated as herein provided.

Subject to the written approval of the commissioner, any co-operative bank or trust company may be dissolved and liquidate its affairs if authorized by a vote passed, at a meeting specially called to consider the subject, by at least two thirds of the shareholders in a co-operative bank or by stockholders of a trust company representing at least two-thirds of its outstanding capital stock. A committee of three shareholders or stockholders shall thereupon be elected, and, under such regulations as may be prescribed by the commissioner, shall liquidate the assets, and after satisfying all debts of the corporation shall distribute the remaining proceeds among those entitled thereto in proportion to their respective interests therein.

1838, 14, § 5.	1919, 350, §§ 45, 46, 49.	240 Mass. 394.	244 Mass. 134.
1839, 27, § 2.	211 Mass. 207.	240 Mass. 478.	244 Mass. 161.
1851, 127, § 5.	239 Mass. 32.	241 Mass. 262.	244 Mass. 499.
G. S. 57, § 7.	239 Mass. 48.	241 Mass. 273.	246 Mass. 161.
1866, 192, § 5.	239 Mass. 249.	241 Mass. 277.	247 Mass. 334.
1876, 231, § 3.	239 Mass. 272.	241 Mass. 347.	247 Mass. 347.
P. S. 116, § 6.	239 Mass. 298.	242 Mass. 95.	247 Mass. 530.
1894, 317, § 6.	239 Mass. 305.	242 Mass. 265.	249 Mass. 17.
R. L. 113, § 6.	240 Mass. 162.	242 Mass. 343.	249 Mass. 404.
1908, 590, § 9, 69.	240 Mass. 244.	242 Mass. 505.	249 Mass. 440.
1910, 399, § 2, 17.	240 Mass. 253.	244 Mass. 69.	251 Mass. 385.
1912, 472, § 2.	240 Mass. 254.	244 Mass. 128.	1930, 329, § 2.
			Op. A. G. (1920) 152, 309.

Possession of Commissioner; Effect and Subsequent Procedure.

SECTION 23. Upon taking possession of the property and business of a bank, the commissioner shall forthwith give notice thereof to all banks, trust companies, associations and individuals holding or having possession of any assets of such bank. No bank, trust company, association or individual, knowing that the commissioner has taken such possession, or having been notified thereof as aforesaid, shall have a lien or charge for any payment, advance or clearance thereafter made, or liability thereafter incurred, against any of the assets of the bank of whose property and business the commissioner shall have taken possession as aforesaid. Such bank may, with the consent of the commissioner, resume business upon such conditions as he may approve; provided, that if, in his judgment it is for the public interest so to do, he may retain in behalf of the bank the control, prosecution or defence of any undetermined suits or claims brought in behalf of or against the bank under section twenty-five during the time when the bank was in his charge, and the expense of prosecuting or defending such suits or claims shall be paid from the funds of such bank.

1910, 399, § 3.

1913, 177.

1919, 350, §§ 45, 46, 49.

240 Mass. 162.

240 Mass. 244.

246 Mass. 161.

247 Mass. 530.

251 Mass. 385.

Authority of Commissioner in Possession. Enforcement of Liability of Stockholders of Trust Companies in Possession.

SECTION 24. Upon taking possession of the property and business of such bank the commissioner may collect moneys due to the bank, and do all acts necessary to conserve its assets and business, and shall proceed to liquidate its affairs as hereinafter provided. He shall collect all debts due and claims belonging to it, and upon the order or decree of the supreme judicial court, or any justice thereof, may sell or compound all bad or doubtful debts, and on like order or decree may sell for cash or other consideration or as provided by section fifty-six of chapter one hundred and sixty-eight or section forty-four A of chapter one hundred and seventy-two, all, or any part of, the real and personal property of the bank on such terms as the court shall direct; and, in the name of such bank, may take a mortgage on such real property from a bona fide purchaser to secure the whole or a part of the purchase price, upon such terms and for such periods as the court shall direct. If, at any time after he has taken possession of the property and business of a trust company under section twenty-two, the commissioner deems it necessary to enforce the individual liability of stockholders therein, as described in the first sentence of section twenty-four of chapter one hundred and seventy-two, in order to pay the liabilities of such trust company, he may file a bill in equity, in the supreme judicial court for the county where the principal office of the trust company is located, against all persons who were stockholders therein at the time of such taking possession, to enforce such individual liability. The court may by its decree assess upon the stockholders in such suit severally sums in proportion to the amounts of stock held by them respectively at the time of such taking possession; but no such stockholder shall be liable to pay a larger sum than the amount of the par value of the stock held by him at the time of such taking possession. Such suit shall not abate by reason of the non-joinder of persons liable as respondents, unless the commissioner, after notice by plea or answer of their existence, unreasonably neglects to make them parties; nor shall it abate by reason of the death of a respondent, but his estate shall be liable in the hands of his executor or administrator, who may voluntarily appear, or who may be summoned by the commissioner to defend the suit.

1910, 399, § 4.

1919, 350, §§ 45, 46, 49.

1922, 488, § 1.

240 Mass. 162.

240 Mass. 244.

240 Mass. 255.

241 Mass. 347.

242 Mass. 78.

242 Mass. 95.

244 Mass. 115.

244 Mass. 128.

245 Mass. 317.

246 Mass. 161.

247 Mass. 334.

247 Mass. 347.

247 Mass. 530.

249 Mass. 145.

249 Mass. 144.

Op. A. G. (1920) 265.

1932, 294.

1933, 41, § 4.

Litigation and Sales of Property.

SECTION 25. To execute and perform the powers and duties conferred upon him, the commissioner may, in the name of any such bank, prosecute and defend all suits and other legal proceedings and may, in the name of the bank, execute,

acknowledge and deliver all deeds, assignments, releases and other instruments necessary and proper to effectuate any sale of real or personal property or any compromise authorized by the court; and any deed or other instrument, executed pursuant to the authority hereby given, shall be valid and effectual for all purposes to the same extent as though executed by the officers of the bank by authority of its board of directors or of its stockholders, or by the individual banker personally. In case any of the real property so sold is located in a county other than that where the application to the court for leave to sell the same is made, the commissioner shall cause a certified copy of the order or decree of the court authorizing or ratifying such sale to be filed in the registry of deeds for the district where the said real property lies.

1910, 399, § 5.
240 Mass. 162.

240 Mass. 244.
240 Mass. 254.

242 Mass. 95.
247 Mass. 530.

Commissioner may appoint Agents to assist, etc.

SECTION 26. The commissioner may, under his hand and official seal, appoint agents to assist him in the duty of liquidation and distribution. The certificates of the appointment of such agents shall be filed in the office of the commissioner, and certified copies thereof shall be filed in the office of the clerk of the supreme judicial court for the county where the principal office of such bank is located. The commissioner may from time to time authorize such agents to perform such duties connected with said liquidation and distribution as he deems proper. The commissioner may procure such expert assistance and advice as he considers necessary in the liquidation and distribution of the assets of such bank, and he may retain such of the officers or employees of the bank as he deems necessary. The commissioner shall require from a special agent and from such assistants such security for the faithful discharge of their duty as he deems proper.

1910, 399, § 6.

1919, 350, §§ 45, 46, 49.

240 Mass. 162.

Inventory.

SECTION 27. Upon taking possession of the property and assets of such bank, the commissioner shall make an inventory in duplicate of the assets of the bank, one to be filed in his office and one in the office of the clerk of the supreme judicial court for the county where the principal office of the bank is located.

1878, 253, § 5.
P. S. 116, § 7.

1894, 317, § 7.
R. L. 113, § 7.

1908, 590, §§ 10, 69.
1910, 399, §§ 7, 17.

1919, 350, §§ 45, 46, 49.
240 Mass. 162.

Notice and Proof of Claims.

SECTION 28. The commissioner shall publish weekly for three consecutive months, in such newspapers as he directs, a notice calling on all persons who may have claims against such bank to present the same to the commissioner and to make legal proof thereof at a place and in a time, not earlier than the last day of publication, to be therein specified. The commissioner shall mail a similar notice to all persons whose names appear as creditors upon the books of the bank, so far as their addresses are known. If the commissioner doubts the justice and validity of any claim, he may reject the same and serve notice of such rejection upon the claimant either personally or by mail. An affidavit of service of such notice, which shall be prima facie evidence thereof, shall be filed with the commissioner. An action upon the claim so rejected shall not be entertained unless brought within six months after such service. Claims presented after the expiration of the time specified in the notice to creditors shall be entitled to share in the distribution only to the extent of the assets in the hands of the commissioner equitably applicable thereto.

1910, 399, § 8.
1919, 350, §§ 45, 46, 49.
211 Mass. 207.
239 Mass. 249.

240 Mass. 162.
240 Mass. 244.
241 Mass. 347.
242 Mass. 181.

243 Mass. 408.
244 Mass. 64.
246 Mass. 161.
247 Mass. 530.

252 Mass. 348.
252 Mass. 394.
254 Mass. 173.
Op. A. G. (1920) 265, 275.

List of Claims.

SECTION 29. Upon the expiration of the time fixed for the presentation of claims, the commissioner shall make in duplicate a full and complete list of the claims presented, including and specifying such claims as have been rejected by

him. One of said lists shall be filed in his office and the other in the office of the clerk of the supreme judicial court for the county where the principal office of the bank is located. Thereafter the commissioner shall make and file in said offices, at least fifteen days before every application to the court for leave to declare a dividend, a supplementary list of the claims presented since the last preceding list was filed, including and specifying such claims as have been rejected by him, and, in any event, he shall make and file the said list at least once in every six months after the filing of the original list, so long as he remains in possession of the property and business of the bank. Said inventory and lists shall be open to inspection at all reasonable times.

1910, 399, § 9.	240 Mass. 162.	247 Mass. 530.	248 Mass. 302.
1919, 350, §§ 45, 46, 49.			252 Mass. 394.

Fees and Expenses.

SECTION 30. The compensation of the special agents, counsel, employees and assistants, and all expenses of supervision and liquidation, shall be fixed by the commissioner, subject to the approval of the supreme judicial court for the county where the principal office of such bank is located, on notice to such bank, and, upon the certificate of the commissioner, shall be paid out of the funds of the bank in his hands.

1910, 399, § 10.	240 Mass. 162.	244 Mass. 64.
1919, 350, §§ 45, 46, 49.		247 Mass. 530.

Dividends; Objections to Claims.

SECTION 31. At any time after the expiration of the date fixed for the presentation of claims, the supreme judicial court, on application of the commissioner, depositor, creditor, stockholder or any party in interest, may authorize or direct the commissioner to declare out of the funds remaining in his hands, after the payment of expenses, one or more dividends, and, after the expiration of one year from the first publication of notice to creditors, or earlier if the supreme judicial court so orders, the commissioner may declare a final dividend, such dividends to be paid to such persons, in such amounts, and upon such notice as may be directed by the supreme judicial court for the county where the principal office of such bank was located, or as may be directed by a justice of said court. Objections to any claim not rejected by the commissioner may be made by any person interested by filing a copy of the objections with the commissioner, who shall present the same to the supreme judicial court at the time of the next application for leave to declare a dividend. The court to which such application is made shall thereupon dispose of said objections, or may refer them to a master, and should the objections to any claim be sustained by the court or by the master no dividend thereon shall be paid by the commissioner until the claimant shall have established his claim by the judgment of a court of competent jurisdiction. The court may make proper provision for unproved or unclaimed deposits.

1910, 399, § 11.	240 Mass. 244.	244 Mass. 64.	248 Mass. 302.
1919, 350, §§ 45, 46, 49.	242 Mass. 181.	246 Mass. 161.	1931, 12.
1921, 471.	242 Mass. 265.	247 Mass. 27.	252 Mass. 394.
240 Mass. 162.	242 Mass. 343.	247 Mass. 530.	Op. A. G. (1920) 265, 275.

Payment of Dividends to Certain Minors and to the Next of Kin of Certain Deceased Persons.

SECTION 31A. In the case of dividends payable under section thirty-one to a minor, having no known guardian, on a deposit which does not exceed one hundred dollars, the commissioner, in his discretion, may make any dividend payment to such minor or either of his parents, and such payment shall be a valid discharge to the same extent as if made to the legal representative of such minor. In the case of a deposit which does not exceed one hundred dollars standing in the name of a decedent for the allowance of whose will or for the administration of whose estate no petition has been filed within sixty days after his death, the commissioner, in his discretion, may make any dividend payment, payable under said section, on account of such deposit, to the person or persons whom he finds entitled thereto, and such payment shall be a valid discharge to the same extent as if made to the legal representative of the decedent.

1933, 277.

Disposition of Property deposited with Bank.

SECTION 32. Should any bank, at the time when the commissioner takes possession thereof, have in its possession for safe keeping and storage, any jewelry, plate, money, securities, valuable papers or other valuable personal property, or should it have rented any box, safes, or safe deposit boxes, or any part thereof, for the storage of property of any kind, the commissioner may at any time after taking possession as aforesaid cause to be mailed to the person claiming or appearing upon the books of the bank to be the owner of such property, or to the person in whose name the safe, vault, or box stands, a written notice in a securely closed postpaid, registered letter, directed to such person at his post office address as recorded upon the books of the bank, notifying such person to remove, within a period fixed by said notice and not less than sixty days from the date thereof, all such personal property; and upon the date fixed by said notice, the contract, if any, between such persons and the bank for the storage of said property, or for the use of said safe, vault or box, shall cease and determine, and the amount of the unearned rent or charges, if any, paid by such person shall become a debt of the bank to such person. If the property be not removed within the time fixed by the notice, the commissioner may make such disposition of said property as the supreme judicial court, upon application thereto, may direct; and thereupon the commissioner may cause any safe, vault or box to be opened in his presence, or in the presence of one of his special agents and of a notary public not an officer or in the employ of the bank, or of the commissioner, and the contents thereof, if any, to be sealed up by such notary public in a package upon which the notary public shall distinctly mark the name and address of the person in whose name such safe, vault or box stands upon the books of the bank, and shall attach thereto a list and description of the property therein. The package so sealed and addressed, together with the list and description, may be kept by the commissioner in one of the general safes for boxes of the bank until delivered to the person whose name it bears, or may otherwise be disposed of as directed by the court.

1910, 399, § 12

1919, 350, §§ 45, 46, 49.

240 Mass. 162.

240 Mass. 244.

247 Mass. 530.

Op. A. G. (1920) 51, 273.

Application to Court to enjoin Proceedings of Commissioner.

SECTION 33. Whenever any bank of whose property and business the commissioner has taken possession deems itself aggrieved thereby, it may, at any time within ten days after such taking possession, apply to the supreme judicial court for the county where the principal office of the bank is located to enjoin further proceedings; and said court, after citing the commissioner to show cause why further proceedings should not be enjoined, and after hearing the allegations and proofs of the parties and determining the facts, may, upon the merits, dismiss such application or may enjoin the commissioner from further proceedings and direct him to surrender the said business and property to the bank.

1910, 399, § 13.

1919, 350, §§ 45, 46, 49.

240 Mass. 162.

242 Mass. 95.

247 Mass. 530.

251 Mass. 385.

Stockholders' Meeting.

SECTION 34. Whenever the commissioner has paid to every depositor and creditor of such corporation, not including stockholders, whose claims as such creditors or depositors have been duly approved and allowed, the full amount of such claims, and has made proper provision for unclaimed and unpaid deposits or dividends, and has paid all expenses of the liquidation, he shall call a meeting of the stockholders of the corporation by mailing notice thereof, not less than thirty days prior to the date of the meeting, to each stockholder of record whose address is known, and also by publishing notice of the meeting once a week for four successive weeks in some newspaper of general circulation published in the county where the principal office of the corporation is located, the first publication to be not less than thirty days before the date appointed for the meeting. At such meeting the stockholders shall determine whether the commissioner shall be continued as liquidator and shall wind up the affairs of the corporation, or whether an agent or agents shall be elected therefor, and in so determining the stockholders

shall vote by ballot, in person or by proxy, each share of stock entitling the holder to one vote; and a majority of the stock shall be necessary for the determination. If it is determined to continue the liquidation under the commissioner, he shall complete the liquidation and, after paying the expenses thereof, distribute the proceeds remaining among the stockholders in proportion to their several holdings of stock, in such manner and upon such notice as may be directed by the supreme judicial court. If it is determined to appoint an agent or agents to liquidate, the stockholders shall thereupon select such agent or agents by ballot, a majority of the stock present and voting, in person or by proxy, being necessary to a choice. Such agent or agents shall execute and file with the commissioner a bond to the state treasurer in such amount, with such sureties and in such form as shall be approved by the commissioner, conditioned for the faithful performance of all the duties of his or their trust, and thereupon the commissioner shall transfer and deliver to such agent or agents all undivided, uncollected or other assets of the corporation then remaining in his hands. Upon such transfer and delivery, the commissioner shall be discharged from all further liability to such corporation. Said agent or agents shall convert into cash the assets coming into his or their possession and shall account for and make distribution of the property of the corporation as provided in the case of distribution by the commissioner, except that the expenses thereof shall be subject to the direction and control of the supreme judicial court. In case of the death, removal or refusal to act of any such agents, the stockholders, on the like notice to be given by the commissioner upon proof of such death, removal or refusal to act being filed with him, and by the like vote hereinbefore provided, may elect a successor, who shall have the same powers and be subject to the same liabilities and duties as the agent originally elected.

1910, 399, § 14
1919, 350, §§ 45, 46, 49.

242 Mass. 78.
247 Mass. 530.

Disposition of Funds remaining in Hands of Commissioner.

SECTION 35. Unclaimed dividends and all other funds received from the liquidation of any institution, so taken possession of, and remaining in the possession of the commissioner after the expiration of twelve months from the order for final distribution shall be paid by him to the state treasurer, to be held in trust, subject to the conditions hereinafter provided, for the several depositors with and creditors of such institution or other persons entitled thereto, according to their several interests. The commissioner shall state annually in his report to the general court the names of institutions so taken possession of and liquidated and the amounts of unclaimed dividends and other funds held by him with respect to every such institution. Upon certification by the commissioner that he has been furnished satisfactory evidence of their right to the same, the state treasurer shall pay over the money so held by him to the persons respectively entitled thereto. In cases of doubt or of conflicting claims, the commissioner may require an order from the supreme judicial court authorizing and directing payment, and any expenses incurred in connection therewith shall be deducted before payment from the amount payable. At the expiration of six years from the date of receipt by the state treasurer from the commissioner of any such unclaimed dividends or other funds, upon certification by the commissioner that no claim thereto has been proved to his satisfaction or is pending, the same or the balance thereof then remaining, together with the interest, if any, earned thereon, shall escheat to the commonwealth.

1910, 399, § 15.
1919, 350, §§ 45, 46, 49.
1925, 240.

239 Mass. 305.
240 Mass. 162.

244 Mass. 64.
247 Mass. 530.

Authority to destroy certain Books, Records and Papers.

SECTION 35A. After the expiration of six years from the order for final distribution, the commissioner may, with the approval of the supreme judicial court, cause to be destroyed any or all of the books, records, correspondence and other papers in his possession concerning any such bank and the liquidation thereof,

1933, 302.

Enforcement.

SECTION 36. The supreme judicial court, or any justice thereof, shall have jurisdiction in equity to enforce the provisions of section twenty-two to thirty-five, inclusive, and to act upon all applications and in all proceedings thereunder.

1910, 399, § 16.	240 Mass. 244.	242 Mass. 181.	247 Mass. 530.
239 Mass. 272.	240 Mass. 255.	242 Mass. 505.	248 Mass. 303.
240 Mass. 162.	242 Mass. 95.	246 Mass. 161.	249 Mass. 17.

FOREIGN BANKS.

Certain Foreign Banking Associations not to do Business without Permission, etc.

SECTION 37. No foreign banking association or corporation shall transact business in this commonwealth until it has received a certificate from the board of bank incorporation, authorizing it so to do. The said board may grant such certificate conditioned upon the performance of such requirements as to auditing as said board may prescribe. Any foreign banking association or corporation transacting business in this commonwealth shall be subject to the supervision of the commissioner, and shall annually, within thirty days after the last business day of October, and at other times during each year on any past day to be specified by the commissioner, make to him in such form as may be prescribed by him a return, signed and sworn to by the treasurer, or the corresponding officer, of the corporation, showing accurately the condition thereof at the close of business on said day. The president and a majority of the directors shall certify on oath that the report is correct according to their best knowledge and belief.

1906, 347, § 1.	1909, 491, § 2.	1919, 350, §§ 45, 47, 49.
1908, 590, § 4.	1910, 343.	248 Mass. 319.

Annual Examination.

SECTION 38. The commissioner shall annually at least, and as much oftener as he deems expedient, examine, either personally or by a competent examiner appointed by him, every such association or corporation and thoroughly inspect and examine its affairs to ascertain its financial condition and whether it has complied with the law. The proper charges incurred by reason of any such examination shall be paid by the association or corporation examined.

1906, 347, § 2.	1919, 350, §§ 45, 46, 49.
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Commissioner to have Access to Vaults and may summon Witnesses, etc.

SECTION 39. For the purposes aforesaid, the commissioner or the person making the examination shall have free access to the vaults, books and papers of any such association or corporation, and may summon the directors, officers or agents thereof, and such other witnesses as he deems necessary, for examination relative to the affairs, transactions and condition of such association or corporation, and for that purpose is empowered to administer oaths.

1902, 463.	1906, 347, § 3.	1919, 350, §§ 45, 46, 49.
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Proceedings for enjoining Insolvent Corporation from doing Business, etc.

SECTION 40. If, upon examination, it appears that such association or corporation is insolvent, or that its capital is impaired, or that its condition is such as to render the continuance of its business hazardous to the public or to those having funds in its custody, the commissioner shall apply, or, if such association or corporation appears to have exceeded its powers or failed to comply with any provision of law, may apply to the supreme judicial court, which shall have jurisdiction in equity on such application, to issue an injunction restraining such association or corporation, in whole or in part, from further proceeding with its business, and to make such further orders or decrees as justice and equity may require. The court may appoint one or more receivers to take possession of its property and effects, subject to such directions as may from time to time be prescribed by the court.

1906, 347, § 4.	1919, 350, §§ 45, 46, 49.
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Savings Department.

SECTION 41. Every foreign banking association or corporation which was on June tenth, nineteen hundred and six, transacting business in this commonwealth

and which receives any deposits or transacts any business in the manner of a savings bank, or in such a manner as might lead the public to believe that its business is that of a savings bank, shall have a savings department in which all business transacted in such manner in this commonwealth shall be done. All money received in said manner shall be a special deposit and shall be placed in said savings department, and all loans or investments thereof shall be made in accordance with the laws governing the investment of deposits in savings banks.

1907, 533, § 1.

Funds, etc., to be kept separate.

SECTION 42. Such funds and the investments or loans thereof shall be appropriated solely to the security and payment of such deposits, and shall not be mingled with the investments of the capital stock or other money or property belonging to such association or corporation or be liable for the debts or obligations thereof. The accounts and transactions of said savings department shall be kept separate and distinct from the general business of the association or corporation.

1907, 533, § 2.

Income.

SECTION 43. All income received from the investment of funds in said savings department, over and above the sums paid to depositors in that department as interest or dividends, shall accrue as profits to the association or corporation and may be transferred to its general funds.

1907, 533, § 3.

Number of Offices in Commonwealth limited.

SECTION 44. No such association or corporation described in section forty-one shall have more than two offices or places of business in the commonwealth.

1907, 533, § 5.

Application of Sections.

SECTION 45. Sections forty-one to forty-four, inclusive, shall not apply to any deposit received by any such association or corporation in exchange for which deposit, or in exchange for the obligation of a depositor secured by such deposit, there shall be issued, either at the time of receiving the deposit, or thereafter, orders for merchandise for the full amount or any part thereof, and nothing contained in said sections shall be construed to apply to national banks.

1907, 533, §§ 4, 6.

Certain Foreign Banking Associations, etc., authorized to act as Fiduciaries.

SECTION 45A. The board of bank incorporation may, subject to such conditions as the commissioner may prescribe, grant to a banking association or corporation whose principal office is in another state, a certificate authorizing it to act in a fiduciary capacity under the provisions, so far as applicable, of sections fifty-two to fifty-nine, inclusive, of chapter one hundred and seventy-two; provided, that said association or corporation is authorized so to act by the laws of the state where its principal office is located; and provided further, that the laws of such state grant a similar privilege or privileges to like associations or corporations having their principal office in this commonwealth. Any such banking association or corporation holding a certificate as aforesaid and appointed a fiduciary shall be subject to the provisions of general law with respect to the appointment of agents by foreign fiduciaries and to the same taxes, obligations and penalties, with respect to its activities as such fiduciary and the property held by it in its fiduciary capacity, as like associations or corporations having their principal office in this commonwealth, and no such certificate shall be issued to any such banking association or corporation until it has filed with the said board of bank incorporation an agreement in writing in which it binds itself to perform said obligations and pay any such taxes and penalties as aforesaid as may be levied or imposed upon it in this com-

monwealth. Such a corporation or association, to the extent only that it acts as fiduciary as hereinbefore authorized, shall not be deemed to transact business in the commonwealth for the purposes of sections thirty-seven to forty-five inclusive.

1928, 128, § 1.

1929, 243

RESPONSIBILITY OF OFFICERS AND EMPLOYEES.

Fixing Responsibility.

SECTION 46. In addition to the duties imposed by law upon the treasurer of a bank, or the officer or employee thereof charged with the duties and functions usually performed by the treasurer, he shall also be responsible for the performance of all acts and duties required of such corporation by the provisions of chapters one hundred and sixty-seven to one hundred and seventy-two, inclusive, except in so far as such performance has been expressly imposed on some other officer or employee of such bank by its regulations or by-laws or by provision of law.

1922, 312.

Additional Penalties.

SECTION 47. Any officer, director, trustee, agent or employee of any bank, who knowingly and wilfully does any act forbidden to him or to such bank by any provision of chapters one hundred and sixty-seven to one hundred and seventy-two, inclusive, or who knowingly and wilfully aids or abets the doing of any act so forbidden to such bank or to any other officer, director, trustee, agent or employee thereof, or who knowingly and wilfully fails to do any act required of him by any such provision, or who knowingly and wilfully fails to do any act which is required of such bank by any such provision the performance of which is imposed on him by the by-laws or regulations of the bank or by law or the responsibility for the non-performance of which is placed upon him by the preceding section, shall, if no other penalty against him in his aforesaid capacity is specifically provided, be punished by a fine of not more than one thousand dollars or by imprisonment for not more than one year, or both.

1922, 312.

AN ACT AUTHORIZING THE COMMISSIONER OF BANKS TO BORROW FUNDS FOR THE PAYMENT OF DIVIDENDS IN LIQUIDATION OF CERTAIN CLOSED BANKS.

Chapter 122, Acts of 1932.

SECTION 1. The commissioner of banks, hereinafter called the commissioner, is hereby authorized to pay to creditors entitled thereto, from time to time, out of the proceeds of loans made as provided in section two, dividends in the liquidation of any bank, trust company or other corporation, the property and business of which is in his possession under sections twenty-two to thirty-six, inclusive, of chapter one hundred and sixty-seven of the General Laws, hereinafter referred to as such bank, in which case dividends shall be paid as hereinafter provided and otherwise subject to the provisions of general law. During such time as any loan made on behalf of any such bank under said section two is outstanding, no dividend from funds received from ordinary liquidation shall be paid, and the aggregate of dividends paid to the creditors of such bank, including dividends paid wholly or in part from funds received from ordinary liquidation, shall not exceed twenty-five per cent of the total amount payable to its creditors, and such dividends may be paid at such time or times as the supreme judicial court for the county of Suffolk or for the county in which such bank has its principal office may authorize or direct.

SECTION 2. For the purpose of paying dividends in the liquidation of any such bank as provided in section one, the commissioner is hereby authorized in his discretion to borrow from time to time, within a period of two years from the passage of this act, from such sources as he deems advisable, such sum or sums, for such periods, at such rates of interest and upon such terms and subject to such provisions as he shall determine and as the supreme judicial court for the county of Suffolk or for the county in which such bank has its principal place of business shall

authorize; and as security therefor may pledge and assign any or all the assets of such bank.

SECTION 3. Nothing contained in this act shall, unless otherwise expressly provided therein, be deemed to abridge any power or authority conferred upon the commissioner by said chapter one hundred and sixty-seven or any other provision of law.

1932, 122.

AN ACT AUTHORIZING THE GOVERNOR TO PROCLAIM THE EXISTENCE OF A BANKING EMERGENCY AND PROVIDING FOR THE FURTHER PROTECTION OF DEPOSITORS IN BANKS AND THE MAINTENANCE OF THE BANKING STRUCTURE OF THE COMMONWEALTH.

Chapter 59, Acts of 1933.

SECTION 1. Whenever it shall appear to the governor that the welfare of the commonwealth or any section or territory thereof or the welfare and security of banking institutions under the supervision of the commissioner of banks, in this act referred to as banks, or their depositors so require, he may proclaim that a banking emergency exists and that any bank or banks shall be subject to special regulation as hereinafter provided until the governor, by proclamation, declares the period of such banking emergency terminated. The governor may likewise declare such legal bank holidays as in his judgment such an emergency may require.

SECTION 2. During the period of any banking emergency so proclaimed, the commissioner of banks, hereinafter called the commissioner, in addition to all other powers conferred upon him by law, shall have authority to order any one or more banks to restrict all or any part of their business and to limit or postpone for any length of time the payment of any amount or proportion of the deposits in any of the departments thereof as he may deem necessary or expedient and may further regulate payments therefrom as to time and amount, as in his opinion the interest of the public or of such bank or banks or the depositors thereof may require, and any order or orders made by him hereunder may be amended, changed, extended or revoked, in whole or in part, whenever in his judgment circumstances warrant or require. After the termination of any such banking emergency, any such order may be continued in effect as to any particular bank or banks as aforesaid if in the judgment of the commissioner circumstances warrant or require and the governor approves.

SECTION 3. The commissioner may by order authorize banks to receive new deposits, and such new deposits shall be special deposits and designated as new deposits, shall be segregated from all other deposits and may be invested only in assets approved by the commissioner as being sufficiently liquid to be available when needed to meet any demands on account of such new deposits, which assets shall not be merged with other assets but shall be held in trust for the security and payment of such new deposits, except that income from such assets may to the extent authorized by the commissioner be used by the bank for other proper purposes of the institution; and the withdrawal of such new deposits shall not be subject in any respect to restriction or limitation under this act. The provisions of section fifty-four of chapter two hundred and sixty-six of the General Laws, as appearing in the Tercentenary Edition thereof, shall not apply in respect to the receipt of new deposits as aforesaid by any bank authorized by order to receive the same. The restrictions imposed in relation to new deposits so received by co-operative banks shall apply only to those received from the sale of shares of a new series, shares of any prior series and paid-up shares.

SECTION 4. Whenever the commissioner shall make any order hereunder, he may adopt such rules and regulations as he may deem proper for the protection of any bank or banks subject thereto or the depositors thereof, and any person violating any provision of such a rule or regulation shall be punished by a fine of not more than one thousand dollars or by imprisonment for not more than one year, or both.

SECTION 5. In determining action to be taken under this act or under section twenty-two of chapter one hundred and sixty-seven of the General Laws, as appearing in the Tercentenary Edition thereof, the commissioner may place such fair

value on the assets of any bank as in his discretion seems proper under the conditions prevailing and circumstances relating thereto.

SECTION 6. Any costs and expenses incurred by the commissioner in the exercise of the powers given under this act may be assessed by him against the banks concerned and, when so assessed, shall be paid by such banks.

SECTION 7. If any provision of this act is held invalid by any court of final jurisdiction, no other provisions shall be affected by such decision but the same shall remain in full effect. The right to amend or repeal any provision of this act is hereby reserved by the general court.

1933, 59.

AN ACT FACILITATING THE REORGANIZATION OF CERTAIN TRUST COMPANIES AND EMPOWERING CERTAIN HOLDERS OF DEPOSITS IN CERTAIN NATIONAL BANKING ASSOCIATIONS TO TAKE IN SUBSTITUTION THEREFOR PREFERRED STOCK IN SUCH ASSOCIATIONS.

Chapter 112, Acts of 1933.

SECTION 1. Whenever in the opinion of the commissioner of banks, hereinafter called the commissioner, any trust company, organized under general or special laws, requires reorganization and a plan for reorganization hereunder has been approved by him as fair and equitable to all depositors, creditors and shareholders thereof and as being in the public interest, such plan may be carried out under and subject to the provisions of this act, but nothing herein shall preclude a reorganization in any other manner authorized by law. Any plan so approved shall become effective upon such approval, except that if it involves a reduction of amounts due depositors and other creditors it shall become effective as provided in section two.

SECTION 2. The commissioner, in his discretion, may cause the fair value of the assets of any such trust company to be ascertained and thereafter determine what, if any, reduction of the deposit account or other claim of each depositor or creditor must be made in order to restore the trust company to a solvent condition and to provide for a capital structure in such amount or proportion as the commissioner deems advisable, and he may, in his discretion, approve a plan of reorganization involving such a reduction, if such plan meets the conditions required for approval under section one. The commissioner shall cause at least five days notice of such plan to be given, in such manner as he may require, to each depositor and other creditor of the trust company who shall not have previously assented in writing thereto except those having claims which are proposed to be paid in full or to be retained as liabilities at their full amounts, of the amount or percentage of reduction as so determined. After depositors and other creditors of the trust company representing at least two thirds in amount of the total deposit and other liabilities in its commercial department and in its savings department, respectively, as shown by the books of the trust company, except liabilities of depositors and creditors constituting claims as aforesaid, and holders of at least a majority of the stock of the trust company outstanding and entitled to vote shall have assented in writing to the plan, the supreme judicial court for the county where the principal office of the trust company is located, on petition of the commissioner and after notice to the trust company, may authorize or order a reduction of the deposit account or other claim of each depositor or creditor in the respective departments in such trust company in accordance with the plan of reorganization, so as to divide the loss equitably among the depositors and other creditors in the respective departments aforesaid; provided, that notwithstanding the fact that the holders of a majority of the stock of the trust company outstanding and entitled to vote shall not have assented to the plan approved, the court may authorize or order a reduction as aforesaid, and may make such further order with respect to such stock or the holders thereof as justice and equity may require. The approved plan of reorganization as affected by the decree of the court shall become effective upon the entry of such decree.

SECTION 3. In any reorganization of a trust company the plan for which shall have become effective as provided herein, all depositors, creditors and stockholders thereof, whether or not they shall have assented to such plan, shall be fully and in all respects subject to and bound by the provisions of such plan, and claims of all depositors, creditors and stockholders shall be treated as if they had assented

to such plan. The valuation placed upon the assets of the trust company by the commissioner shall be final and conclusive upon all depositors, creditors and stockholders and all other persons.

SECTION 4. When any plan of reorganization becomes effective, all books, records and assets of the trust company as reorganized shall be disposed of in accordance with such plan and the affairs thereof shall be conducted in accordance with law and subject to the conditions, restrictions and limitations which may have been prescribed by the commissioner.

SECTION 5. At any time after a conservator shall have been appointed for any trust company as provided in section eighty-three of chapter one hundred and seventy-two of the General Laws, the commissioner may enforce the individual liability of stockholders therein, as described in the first sentence of section twenty-four of said chapter one hundred and seventy-two, in the manner and subject to the provisions set forth in section twenty-four of chapter one hundred and sixty-seven of the General Laws, and upon order or decree of the supreme judicial court for the county where the principal office of the trust company is located may compromise or compound the individual statutory liability of any or all of the stockholders of such trust company, including those who may have subscribed to stock or otherwise furnished funds to assist in a reorganization hereunder, in an amount or amounts approved by the commissioner. In the event of resumption of business by a trust company as provided in section twenty-three of said chapter one hundred and sixty-seven or section eighty-eight of said chapter one hundred and seventy-two, the commissioner may retain the right to enforce in behalf and for the benefit of the trust company the individual liability of its stockholders who shall not have assisted in a reorganization hereunder or whose liability shall not have been compromised or compounded as hereinbefore provided, and may enforce such liability in the manner and subject to the provisions set forth in said section twenty-four of said chapter one hundred and sixty-seven; and the expense of the enforcement thereof shall be paid from the funds of the trust company, and any sums collected by the commissioner as a result thereof shall be paid into the trust company.

SECTION 6. Any trust company reorganizing under this act or resuming business under section twenty-three of chapter one hundred and sixty-seven of the General Laws or section eighty-eight of chapter one hundred and seventy-two of the General Laws, with the approval of the commissioner and if authorized by vote of stockholders owning a majority of the shares of stock thereof outstanding and entitled to vote, at a meeting duly called for the purpose, may issue participating certificates, and preferred stock of a par value of not less than ten dollars per share, in such amount or amounts and in such classes, for cash or such other good and valuable consideration and subject to such provisions, preferences, voting powers, restrictions or qualifications as shall be approved by the commissioner, and such a trust company may make such amendments in its agreement of association or articles of organization, if any, as may be necessary for any such purpose; but in the case of any newly organized trust company which has not yet issued capital stock, the requirement of vote of stockholders shall not apply but in such case a vote of a majority of the incorporators shall be required. Any or all classes of such preferred stock or certificates provided for herein may be set up upon the books of such trust company in such manner and in such amounts as the commissioner may approve.

SECTION 7. (a) The holders of such preferred stock or certificates shall be entitled to such earned dividends or interest thereon as the commissioner shall approve, not in excess of six per cent per annum. The holders of any and all classes of such preferred stock or of such certificates shall not be held individually responsible as such holders for any contracts, debts or engagements of such trust company and shall not be liable for assessment to restore impairments in the capital of such trust company as now provided by law with reference to holders of capital stock. The words "common stock" or "capital stock", as used in this act, shall not include preferred stock or certificates issued under this act.

(b) No dividends shall be declared or paid on common stock until the dividends or interest payable on such preferred stock and certificates as herein provided shall have been paid in full, and if such trust company is placed in voluntary liquidation,

or a conservator is appointed therefor, or the commissioner shall take possession thereof, no payments shall be made to the holders of the common stock until the holders of all classes of preferred stock or such certificates are paid in full together with any declared dividends or interest due thereon in accordance with the provisions of this act.

(c) To carry out the provisions of this act, the commissioner of corporations and taxation from time to time may prescribe such rules and regulations, relating to the filing of said articles of amendment and other instruments, as he may deem necessary or desirable, and may fix the fee for such filing.

SECTION 8. Any bank as defined in section one of chapter one hundred and sixty-seven of the General Laws with the approval of the commissioner, or the commonwealth or any political sub-division thereof, or any charitable or religious institution or organization, or any person or corporation acting as fiduciary, in addition to all other powers conferred upon them by law, may substitute or exchange in whole or in part for the equivalent of par value of preferred stock or certificates as herein provided of any such trust company, their deposits therein, and for the equivalent of par value of preferred stock of a national banking association in the hands of a conservator or receiver, their deposits therein. It shall be lawful for any bank, as so defined, with the approval of the commissioner, to acquire, hold and dispose of preferred stock and certificates as herein provided to the extent of the aggregate par value of any common stock of any such trust company owned by such bank.

SECTION 9. During the time that a trust company is in the hands of a conservator appointed under section eighty-three of chapter one hundred and seventy-two of the General Laws, or in the possession of the commissioner under section twenty-two of chapter one hundred and sixty-seven of the General Laws, the commissioner may, in his discretion, authorize meetings of the stockholders or directors thereof to be held for such purposes as he may approve.

SECTION 10. Any trust company which is or hereafter may become a stockholder in a federal reserve bank within the federal reserve district where such trust company is situated under the United States "Federal Reserve Act" approved December twenty-third, nineteen hundred and thirteen, or any acts in amendment thereof, and while such trust company continues as a member bank, is hereby authorized to exercise such power and do any and all things necessary to avail itself of the benefits of the act of congress of March ninth, nineteen hundred and thirty-three entitled "An Act to Provide Relief in the Existing National Emergency in Banking, and for Other Purposes" and any acts in amendment thereof, and any other acts of congress granting powers to or conferring benefits on such member banks now or hereafter passed, without otherwise limiting or impairing in any way the authority conferred upon the commissioner under the laws of the commonwealth.

SECTION 11. The supreme judicial court, or any justice thereof, shall have jurisdiction in equity to enforce the provisions of this act and to act upon all applications and in all proceedings thereunder.

SECTION 12. If any provision of this act, or the application thereof to any person, firm, corporation or association or to any circumstances, is held invalid by any court of final jurisdiction, the remainder of this act, and the application of such provision to other persons or circumstances, shall not be affected thereby. The right to amend or to repeal this act or any provision thereof is hereby reserved by the general court.

SECTION 13. After the expiration of two years from the effective date hereof, no reorganization shall be commenced nor any preferred stock issued under this act.

1933, 112.

AN ACT TO AUTHORIZE BANKS AND CREDIT UNIONS TO CO-OPERATE IN ACTION UNDER
THE FEDERAL HOME OWNERS' LOAN ACT OF 1933.

Chapter 343, Acts of 1933.

In connection with assistance being given during the period limited by the act of congress, known as the Home Owners' Loan Act of 1933, to any home owner by the Home Owners' Loan Corporation created by said act, under subsection (g) or

subsection (d) of section four thereof, and notwithstanding any other provision of law, any savings bank, co-operative bank, credit union or trust company, with the approval of its officers, board, committee or majority thereof, authorized by law to approve loans secured by mortgage of real estate, and subject to such terms and conditions as such officers, board, committee or majority may require in each case, may accept in exchange for any real estate, as defined in said subsection (d), held or owned by it as the result of the foreclosure of a mortgage thereon, or in exchange for, or in consideration of the discharge of, any home mortgage, as defined in subsection (c) of section two of said act, or other obligation secured by real estate and eligible for acquisition by said Home Owners' Loan Corporation under said subsection (d), in addition to any other lawful consideration, bonds of said Home Owners' Loan Corporation, and may compound any loan secured by such home mortgage or other obligation eligible for such acquisition and receive such bonds as the consideration, in whole or in part, for such compounding. All savings banks, co-operative banks, credit unions and trust companies are hereby authorized to exercise any powers and to do any and all things incidental or necessary to give effect to any such transaction.

1933, 343.

STATUTES

RELATING TO

SAVINGS BANKS

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GENERAL PROVISIONS.

Definitions.

SECTION 1. The following words when used in this chapter, unless the context otherwise requires, shall have the following meanings:

"Commissioner", the commissioner of banks.

"Such corporation" or "such bank", a savings bank and an institution for savings, incorporated as such in the commonwealth.

"Deposit book", "depositor's book", "pass book", the book issued to the depositor by such bank as evidence of his deposit.

"Savings bank", a savings bank or institution for savings incorporated as such in this commonwealth.

R. L. 113, § 10.

1908, 590, §§ 1, 69.

1919, 350, §§ 45, 46.

1933, 334, § 3.

Application of Chapter.

SECTION 2. Savings banks shall have all the powers and privileges specified in this chapter and shall be subject thereto so far as is consistent with the provisions of their respective charters; and any such corporation may, by vote at its annual

meeting or at a meeting called for the purpose, accept any provision of this chapter which is inconsistent with its charter.

1834, 190, § 1.
R. S. 36, § 71.

G. S. 57, § 135.
1876, 203, § 1.

P. S. 116, § 11.
1894, 317, § 11.

R. L. 113, § 12.
1908, 590, § § 18, 69.
1933, 334, § 4.

May become a Member of the Federal Home Loan Bank.

SECTION 2A. Any such savings bank may become a member of the Federal Home Loan Bank established for the district of New England under the provisions of an act of congress, approved July twenty-second, nineteen hundred and thirty-two, and known as the federal home loan bank act, or of any successor of said bank so established; and may, subject otherwise to the provisions of this chapter, subscribe to and invest in such amounts of the stock of said home loan bank as may be required by said act of congress to qualify such savings bank for membership in said home loan bank.

1933, 46, § 1.

May borrow Money.

SECTION 3. If necessary to pay its depositors, such a corporation may, by vote of its board of investment, borrow money, and may pledge, as security therefor, its bonds, notes or other securities. A copy of the vote of the board of investment shall be sent forthwith to the commissioner.

1908, 590, § 67.

1919, 350, §§ 45, 46.

May not occupy Same Office with Other Bank.

SECTION 4. No savings bank shall occupy the same office or suite of offices with a national bank, trust company or other bank of discount, nor any office directly connected by means of doors or other openings in partitions with the office or suite of offices used or occupied by any such national bank, trust company or other bank of discount. Any such corporation violating this section shall be punished by a fine of not more than five hundred dollars.

1898, 567, §§ 1, 2.
R. L. 113, § 21.

1902, 169, § 3.
1908, 590, §§ 19, 69.

1 Op. A. G. 569.
3 Op. A. G. 264.

Officers may not be Officers of Other Banks. Penalty.

SECTION 5. No president, vice-president or treasurer of such corporation shall hold the office or perform the duties of president, vice-president, treasurer or cashier of a national bank or trust company or any other bank of discount. Whoever violates the provisions of this section shall be punished by a fine of not more than five hundred dollars.

1902, 169, § 4.

1908, 590, §§ 20, 69.

General Court may examine.

SECTION 6. Savings banks and their officers shall be subject to examination by a committee of the general court appointed for the purpose, who may examine their affairs and shall have free access to their books and vaults. An officer of any such corporation, or other person having charge of its books and property, who refuses or neglects to exhibit the same to such committee or obstructs its examination thereof, shall be punished by a fine of not more than ten thousand dollars or by imprisonment for not more than three years.

1828, 96, § 17.
1834, 190, § 12.
R. S. 36, §§ 40, 41, 84.

G. S. 57, §§ 102, 103, 155.
1876, 203, § 27.
P. S. 116, § 12.

1894, 317, § 12.
R. L. 113, § 13.

1908, 590, §§ 21, 69.
9 Cush. 604.

INCORPORATION.

Agreement of Association.

SECTION 7. Twenty or more persons who associate themselves by an agreement in writing for the purpose of forming a savings bank, may, upon compliance with this and the three following sections, become a corporation with all the powers and privileges and subject to all the duties, restrictions and liabilities set forth in all general laws now or hereafter in force relating to such corporations. Said agreement shall set forth that the subscribers thereto associate themselves with

the intention of forming a corporation to transact business within the commonwealth, and shall specify:

First. The name by which the corporation shall be known.

Second. The purpose for which it is to be formed.

Third. The city or town and district thereof where its business is to be transacted.

Each associate shall subscribe to the articles his name, occupation, residence and post office address.

1908, 590, § 22.

Publication of Notice, and Public Hearing.

SECTION 8. The subscribers to such agreement shall give notice to the board of bank incorporation of their intention to form such savings bank, and shall apply to said board for a certificate that public convenience and advantage will be promoted by the establishment thereof, which certificate said board may grant. Upon receipt of such application, said board shall furnish the subscribers a form of notice specifying the names, occupation and addresses of the proposed incorporators and the name and location of the proposed savings bank, and assigning a date and place for a public hearing on the application. The subscribers shall publish such notice at least once in each of three successive weeks, in one or more newspapers designated by said board, and publish in or nearest to the city or town where it is desired to establish the savings bank. If said board refuses to issue such certificate, no further proceedings shall be had, but the application may be renewed after one year from the date of such refusal, in which case notice of a public hearing thereon shall be published as herein provided.

1908, 590, § 23.

1919, 350, § 47.

First Meeting of Subscribers.

SECTION 9. The first meeting of the subscribers to the agreement of association shall be called by a notice signed either by the subscriber to the agreement who is designated therein for the purpose, or by a majority of the subscribers; and such notice shall state the time, place and purposes of the meeting. A copy of the notice shall, seven days at least before the day appointed for the meeting, be given to each subscriber or left at his residence or usual place of business, or deposited in the post office, postage prepaid, and addressed to him at his residence or usual place of business, and another copy thereof and an affidavit by one of the signers that the notice has been duly served shall be recorded with the records of the corporation. If all the incorporators shall in writing, endorsed upon the agreement of association, waive such notice and fix the time and place of the meeting, no notice shall be required. The subscribers to the agreement of association shall hold the franchise until the organization has been completed. At such first meeting, or at any adjournment thereof, the incorporators shall organize by the choice by ballot of a temporary clerk, by the adoption of by-laws and by the election, in such manner as the by-laws may provide, of trustees, a president, a clerk, and such other officers as the by-laws may prescribe. All the officers so elected shall be sworn to the faithful performance of their duties. The temporary clerk shall make and attest a record of the proceedings until the clerk has been chosen and sworn, including a record of the choice and qualification of the clerk.

1908, 590, § 24.

Issue of Certificate of Incorporation.

SECTION 10. The president, and a majority of the trustees elected at such first meeting, shall make, sign and make oath to, articles in duplicate, setting forth—

(a) A true copy of the agreement of association, the names of the subscribers thereto, and the name, residence and post office address of each of the officers of the company.

(b) The date of the first meeting and the successive adjournments thereof, if any.

One of such certificates shall be submitted to said board of bank incorporation, and the other, together with the records of the proposed corporation, to the com-

missioner of corporations and taxation, who shall examine the same, and who may require such amendment thereof or such additional information as he may consider necessary. If he finds that the articles conform to the three preceding sections, relative to the organization of the corporation, and that section eight has been complied with, he shall so certify and endorse his approval thereon. Thereupon the articles shall be filed in the office of the state secretary, who upon payment of a fee of five dollars, shall issue a certificate of incorporation in the following form:

COMMONWEALTH OF MASSACHUSETTS.

Be it known that whereas (the names of the subscribers to the agreement of association) have associated themselves with the intention of forming a corporation under the name of (the name of the corporation), for the purpose (the purpose declared in the agreement of association) and have complied with the provisions of the statutes of this commonwealth in such case made and provided, as appears from the articles of organization of said corporation, duly approved by the commissioner of corporations and taxation and recorded in this office: now, therefore, I (name of the secretary), secretary of the commonwealth of Massachusetts, do hereby certify that said (the names of the subscribers to the agreement of association), their associates and successors, are legally organized and established as, and are hereby made, an existing corporation under the name of (name of the corporation), with the powers, rights and privileges, and subject to the limitations, duties and restrictions, which by law appertain thereto.

Witness my official signature hereunto subscribed, and the Great Seal of the Commonwealth of Massachusetts hereunto affixed, this day of in the year (the date of the filing of the articles of organization).

The secretary shall sign the certificate of incorporation and cause the great seal of the commonwealth to be thereto affixed, and such certificate shall have the force and effect of a special charter. The existence of every such corporation not created by special law shall begin upon the filing of the articles of organization in the office of the state secretary. The secretary shall also cause a record of the certificate of incorporation to be made, and such certificate or such record, or a certified copy thereof, shall be conclusive evidence of the existence of the corporation.

1908, 590, § 25.

1909, 491, § 5.

1919, 350, § 53.

1931, 394, § 175.

MANAGEMENT.

Meetings.

SECTION 11. The annual meeting of such corporation shall be held at such time as the by-laws direct. Special meetings may be held by order of its trustees; and its clerk shall give notice of special meetings upon written request of ten members of the corporation. In the absence or inability of the clerk to serve, the president or a vice president may give the notice or notices required by this section. Notice of all meetings shall be given by advertisement in a newspaper published in the county where the corporation is located, and by mailing to each incorporator at least seven days before such meeting a written or printed notice thereof. The names of those present at meetings shall be entered in the records of the corporation. The annual meeting, and meetings of the trustees or board of investment, of such corporation may be held at any place in the town where the banking house is located.

1834, 190, § 4.
R. S. 36, § 75.
G. S. 57, § 139.

1876, 203, § 5.
P. S. 116, § 16.
1884, 150.

1894, 317, § 16.
R. L. 113, § 17.
1908, 590, §§ 26, 69.
1933, 334, § 5.

Members.

SECTION 12. Such corporation may, at a legal meeting, elect by ballot any citizen of the commonwealth to be a member thereof; and any person may, at an annual meeting, cease to be a member, if, at least three days before such meeting, he has filed with the clerk a written notice of his intention so to do. If a member fails to attend two consecutive annual meetings, his membership may, by vote of the corporation at its next annual meeting, be declared forfeited. Such action and vote recorded shall be evidence of forfeiture of membership. No person shall continue to be a member after removing from the commonwealth.

1834, 190, § 5.
R. S. 36, § 76.
G. S. 57, § 140.

1876, 203, § 6.
P. S. 116, § 17.
1888, 120.

1890, 222.
1894, 317, § 17.

R. L. 113, § 18.
1908, 590, §§ 27, 69.

Officers.

SECTION 13. The officers of such corporation shall be a president, one or more vice presidents, a board of investment of not less than three, a board of not less

than eleven trustees from which the officers hereinbefore mentioned shall be chosen, a treasurer, a clerk, who shall be clerk of the corporation and board of trustees, and such other officers as it may find necessary for the management of its affairs. All officers shall be sworn, and shall hold their several offices until others are elected, and qualified in their stead; and a record of every such qualification shall be filed and preserved by the clerk of the corporation. The trustees shall be elected from the incorporators, and no person shall hold an office in two such corporations at the same time. Only one of the persons holding the offices of president, treasurer or clerk shall at the same time be a member of the board of investment. The treasurer, vice treasurer or assistant treasurer shall not be clerk either of the corporation or of the trustees. Not more than three fifths of the members of any such corporation shall be officers thereof at any one time.

1834, 190, §§ 2, 3.	1876, 203, §§ 2, 3, 10.	1894, 317, §§ 13, 22.	1910, 622, § 4.
R. S. 36, §§ 72, 73.	P. S. 116, §§ 13, 21.	R. L. 113, §§ 14, 27.	211 Mass. 252.
G. S. 57, §§ 136, 137.	1889, 161.	1908, 590, §§ 28, 69.	220 Mass. 300.
1872, 293, § 3.			1933, 334, § 6.

Election of Officers.

SECTION 14. The officers of such corporation, except the board of investment, treasurer, vice treasurer and assistant treasurer, shall be elected at its annual meeting, anything in its charter to the contrary notwithstanding. The board of investment, treasurer, vice treasurer and assistant treasurer shall be elected by the trustees and shall hold office during their pleasure. If any office becomes vacant during the year, the trustees may, except as otherwise provided, elect a person to fill it until the next annual meeting; and if a person elected does not, within thirty days thereafter, take the oath, his office shall thereupon become vacant. The clerk of the corporation shall, within ten days after the meeting, notify all persons elected to office; and within thirty days thereafter shall publish in a newspaper published in the county where the corporation is established a list of all persons who have taken the oath of office to which they were elected and a list of the members of the corporation. Said lists shall be included in the annual report of the corporation to the commissioner, and shall be kept on file in his office for inspection by the public. A clerk who neglects to give such notice or make such publication, or who makes a false publication, and a person who knowingly publishes or circulates, or knowingly causes to be published or circulated, a printed notice containing the name of a person as an officer of such corporation who has not taken the oath of office, shall be liable to a penalty of fifty dollars. The clerk shall transmit to the commissioner a copy of all by-laws adopted and all amendments thereof. Upon the election as trustee of any such bank of a person who has not been theretofore a trustee thereof, the clerk shall send forthwith to the commissioner the name and address of such person, and the commissioner shall thereupon transmit to such person a copy of the laws relating to savings banks.

1834, 190, § 3.	1868, 49.	1894, 317, § 15.	1910, 622, § 5.
R. S. 36, § 74.	1876, 203, § 4.	R. L. 113, § 16.	220 Mass. 300.
G. S. 57, § 138.	P. S. 116, § 15.	1902, 169, § 1.	1922, 258, § 1.
1864, 126.	1893, 254, § 2.	1908, 590, §§ 29, 69.	

Election of Trustees in Groups.

SECTION 14A. The trustees provided for by the by-laws of any such corporation shall be divided into three groups, as nearly equal in number as possible, and at the first annual meeting of such corporation after its incorporation, one of such groups shall be elected for one year, one for two years and one for three years, and thereafter at each annual meeting of such corporation, successors of the retiring group shall be elected for three years. A vacancy may be filled by election by the trustees for the unexpired term.

1922, 258, § 2.

Meetings of Trustees.

SECTION 15. A regular meeting of the board of trustees of such corporation shall be held at least once in three months, for the purpose of receiving the report of its treasurer and for the transaction of other business. Special meetings may be called by the president, and the clerk shall give notice of special meetings upon written request of three trustees. A quorum shall consist of not less than seven

trustees, but less than a quorum may adjourn from time to time or until the next regular meeting. At each regular meeting the trustees shall cause to be prepared a statement showing the condition of the corporation as it appears upon its books, in the form of a trial balance of its accounts. Such statement shall be entered in a book which shall form a part of the records of the bank and a copy of such statement shall be posted in a conspicuous place in its banking room, where it may easily be read by the public, and shall there remain until the next regular meeting of said board. At each regular meeting of the trustees the board of investment shall submit a detailed written statement of all loans made by the corporation, all changes in the property or security pledged or the rate of interest charged therefor, all purchases or sales of bonds, stocks and notes, all payments by the bank of taxes or insurance on mortgaged property since the last regular meeting of the trustees, and all loans on which interest is more than three months overdue. This statement, or such part thereof as the meeting may determine, shall be read to the trustees present and then shall be filed and preserved with the records of the bank. A record shall be made at each meeting of the transactions of the trustees and of the names of those present. The trustees shall cause to be published semi-annually in a newspaper published in the county where the corporation is located the names of the president, treasurer, members of the board of investment and other officers of the corporation, charged with the duty of investing its funds. The first publication thereof shall be within thirty days after the election of said officers, and the second publication at the expiration of six months therefrom.

1876, 203, § 7.
P. S. 116, § 18.
1882, 50.

1888, 96.
1894, 317, § 18.
R. L. 113, § 19.

1908, 590, §§ 30, 69.
1910, 622, § 6.
1912, 357.

Meetings of the Board of Investment.

SECTION 16. Meetings of the board of investment of such corporation shall be held at least once in each month. The board shall approve all loans made by the corporation, all changes in the property or security pledged or the rates of interest charged therefor, and all purchases or sales of bonds, stocks and notes, and shall perform such other duties as the by-laws may prescribe. A record shall be made at each meeting of the transactions of the board and the names of those present. The members of said board may approve changes of collateral on loans made under subdivision (e) of clause ninth of section fifty-four either by a vote of said board or by signing a statement setting forth all such changes.

1908, 590, § 31.

Auditing Committee.

SECTION 17. At the first meeting after their election, the trustees shall elect an auditing committee of not less than three trustees, of which committee neither the treasurer nor more than one member of the board of investment shall be members, who shall at least once during the twelve months following their election, and oftener if required by the commissioner, cause to be made at such time and in such form and manner as the commissioner may determine, by a certified public accountant not connected with said bank, a thorough examination and audit of the books, securities, cash, assets, liabilities, income and expenditures of the corporation, including an accurate trial balance of the depositors' ledger, for the period elapsed since the preceding examination and audit, or for such other period as the commissioner may prescribe. Said certified public accountant shall be chosen by the auditing committee, subject to the approval of the commissioner, within thirty days after their election. Said accountant shall personally direct and supervise the making of said examination and audit, except that, with the consent of the commissioner, he may verify a trial balance of the depositors' ledger made by the bank within six months, and, with the consent of the commissioner, such assistance as shall be necessary may be furnished by the bank. Said accountant shall report to the auditing committee the result of his examination and audit, and at the next meeting of the trustees thereafter the committee shall render a report, which shall be read, stating in detail the nature, extent and result of the examination and audit, and their report and the accountant's report shall be filed and preserved with the records of the corporation. The committee shall file with

the commissioner a copy of the report of the accountant within ten days after its completion. Said accountant and the auditing committee shall certify and make oath that the reports made by them under this section are correct according to their best knowledge and belief. If the committee fails to cause to be made an examination and audit, including an accurate trial balance of the depositors' ledger as herein provided, the commissioner shall cause them to be made by a certified public accountant in such form and manner as he may prescribe, and the expense thereof shall be paid by the bank.

1908, 590, § 32.

1910, 622, § 7.

1919, 350, §§ 45, 46.

1933, 334, § 7.

Audit by Commissioner of Banks.

SECTION 18. The commissioner may, when so requested by the auditing committee of any such bank, make a thorough examination and audit of the books, securities, cash assets, liabilities, income and expenditures of such bank, including an accurate trial balance of the depositors' ledgers, for the period elapsed since the preceding examination and audit, or for such other period as the commissioner may prescribe, or he may verify a trial balance of the depositors' ledgers made by the bank within six months, and may avail himself of such assistance from the officers and employees as he may deem proper. The expense of the audit only shall be borne by the bank, and such examination and audit shall be in place of the one required to be made by a certified public accountant as provided by the preceding section.

1912, 629, § 1.

Report of Audit.

SECTION 19. The person in charge of the examination shall render to the commissioner a report of his findings, in such form as the commissioner may prescribe, and a copy thereof shall be rendered to the auditing committee within ten days after the original has been submitted to the commissioner, together with a notice of the amount of the fee to be paid, which shall be due and payable within thirty days after the date of notice. Upon failure of any such corporation to pay the required fee within the time prescribed herein, the commissioner shall report the facts to the attorney general, who shall immediately bring an action for the recovery of the fee.

1912, 629, § 2.

Additional Assistance for Audit.

SECTION 20. The commissioner, in order to carry into effect the two preceding sections may employ such additional assistance, subject to the approval of the governor and council, as he deems necessary.

1912, 629, § 3.

Fees to be paid to Commonwealth.

SECTION 21. All moneys collected and received by the commissioner under section nineteen shall be paid to the commonwealth.

1912, 629, § 4.

Compensation of Committees.

SECTION 22. The board of trustees shall authorize the compensation, if any, to be paid to committees of said board. At each regular meeting of the board the treasurer shall report in detail all amounts paid by the corporation since the last regular meeting for services, fees or otherwise, to a member of the board of trustees or to any attorney of the corporation.

1876, 203, § 11.
P. S. 116, § 22.1894, 317, § 23.
R. L. 113, § 28.

1908, 590, §§ 33, 69.

Office of Trustee, when vacated.

SECTION 23. If a trustee fails both to attend the regular meetings of the board and to perform any of the duties devolving upon him as such trustee for six consecutive months, his office may be declared by the board at the next regular meeting to be vacant. A record of such vacancy shall be entered upon the books of

the corporation, and a transcript of such record shall be sent by mail to the person whose office is thus made vacant. The office of any trustee who takes the benefit of any law of bankruptcy or insolvency, or who on examination on supplementary process has been found unable to pay a judgment shall thereby be vacated. The commissioner may recommend the removal of any trustee, officer or employee who in his opinion has abused his trust, or has been negligent in the performance of his duties, and upon such recommendation the trustees may remove or discharge such trustee, officer or employee. The trustees shall act upon such recommendation within thirty days after receiving the same.

1876, 203, § 7.
P. S. 116, § 18.
1882, 50.

1888, 96.
1894, 317, § 18.

R. L. 113, § 19.
1908, 590, §§ 34, 69.

1910, 622, § 8.
1919, 350, §§ 45, 46.
1931, 426, § 261.

Officers and Employees to give Bond.

SECTION 24. Every treasurer, vice treasurer and assistant treasurer shall give bond to the trustees in such amount and with such surety or sureties and conditions as the commissioner may prescribe, and shall file with the commissioner an attested copy thereof, with a certificate of its custodian that the original is in his possession. Such bonded officer shall notify the commissioner of any change thereafter made therein. If he fails, within ten days after the date thereof, to file such copy, or to notify the commissioner of any such change, he shall be liable to a penalty of fifty dollars. The commissioner shall keep a record of such bonds and the changes so notified, and, when in his judgment it is necessary for the security of the depositors, he shall require a new bond in such amount and with such surety or sureties and conditions as he may approve. The trustees may require bonds of such other officers or employees and in such amounts as they deem necessary. The treasurer, vice treasurer and assistant treasurer, and any other officers and employees required to give bond, may be included in one or more blanket or schedule bonds; provided, that such bonds are approved by the commissioner as to the amounts and conditions thereof and as to the sureties thereon.

1876, 203, § 3.
1880, 162.
P. S. 116, § 14.
1886, 93.

1889, 180.
1893, 254, § 1.
1894, 317, § 14.

R. L. 113, § 15.
1908, 590, §§ 35, 69.
129 Mass. 73.

169 Mass. 500.
1922, 265, § 1.
1925, 16, § 1.

Where Business may be transacted.

SECTION 25. Such corporation shall carry on its usual business at its banking house only, and a deposit shall not be received or payment on account of deposits be made by the corporation or by a person on its behalf in any other place than at its banking house, which shall be in the town where the corporation is established; except that the corporation may, with the written permission of and under regulations approved by the commissioner, maintain and establish one or more branch offices or depots in the town where its banking house is located, or in towns not more than fifteen miles distant therefrom where there is no savings bank at the time when such permission is given.

1884, 253, § 1.
1889, 91, § 1.

1894, 317, § 19.
R. L. 113, § 20.

1908, 590, §§ 36, 69.
1911, 211.

1918, 11.
1919, 350, §§ 45, 46.
1933, 334, § 8.

School Savings Deposits.

SECTION 25A. In order to encourage saving among school children, the corporation may, with the written consent of and under regulations approved by the commissioner, and, in the case of public schools, by the commissioner and the school committee in the town where the school is situated, arrange for the collection of savings from the school children by the principal or teachers of such schools or by collectors.

1933, 334, § 8.

Annual Report to Commissioner.

SECTION 26. The treasurer of such corporation shall, annually within twenty days after the last business day of October, make a report to the commissioner in such form as he may prescribe, showing accurately the condition of such corporation at close of business on that day, specifying the following particulars: name of

corporation and names of incorporators and officers; place where located; amount of deposits; amount of each item of other liabilities; each particular kind of investment, stating the par value, estimated market value and amount invested in each; loans to counties, cities, towns or districts; loans on mortgages of real estate; loans on personal security, stating amount of each class separately; estimated value of real estate, and amount invested therein; cash on deposit in banks and trust companies, with the names of such banks and trust companies and the amount deposited in each; cash on hand; the whole amount of interest or profits received, and the rate and amount of each semi-annual and extra dividend for the previous year; the times for the dividends fixed by the by-laws; the rates of interest received on loans; the total amount of loans bearing each specified rate of interest; the number of outstanding loans of an amount not exceeding three thousand dollars each, and the aggregate amount of the same; the number of open accounts; the number and amount of deposits received; the number and amount of withdrawals; the number of accounts opened and the number of accounts closed, severally, during the previous year; and the annual expenses of the corporation, together with such other information as the commissioner may require. The president, or in his absence from the commonwealth, or disability, a vice president, the treasurer, or in his absence from the commonwealth, or disability, an assistant treasurer, and a majority of the auditing committee shall certify on oath that such reports are correct according to their best knowledge and belief.

1834, 190, § 11.	1866, 192, § 10.	1877, 159.	1902, 169, § 2.
R. S. 36, § 82.	1867, 203, § 1.	P. S. 116, § 40.	1908, 590, §§ 37, 69.
1846, 86, § 1.	1874, 84.	1888, 127.	1919, 350, §§ 45, 46.
G. S. 57, § 148.	1875, Res. 68.	1894, 317, § 42.	1933, 334, § 9.
1862, 120; 224, §§ 8, 9.	1876, 203, § 23.	R. L. 113, § 47.	

Return of Unclaimed Deposits.

SECTION 27. The treasurer of such corporation shall, within twenty days after the last business day of October in the year nineteen hundred and twenty-two and in every fifth year thereafter, return to the commissioner a sworn statement of the name, the amounts standing to his credit, the last known residence or post office address, and the fact of death, if known to him, of each depositor who shall not have made a deposit therein or withdrawn therefrom any part of his deposit, or any part of the interest thereon, during the twenty years last preceding such last business day of October; he shall also give notice of such deposits in one or more newspapers published in or nearest to the town where such corporation is located, or in one or more newspapers published in or nearest to the town where the depositor was last known to reside, at least once in each of three successive weeks; but this section shall not apply to a deposit made by or in the name of a person known to an officer of the corporation to be living, to a deposit the deposit book of which has during such period been brought into the bank to be verified or to have interest added, or to a deposit which, with the accumulations thereon, shall be less than twenty-five dollars. The treasurer of a savings bank who neglects or refuses to make the sworn return required by this section shall be punished by a fine of one hundred dollars. The commissioner shall incorporate in his annual report, or in a supplementary report, each return made to him as provided in this section.

1887, 319.	R. L. 113, § 50.	1919, 350, §§ 45, 46.
1894, 317, § 45.	1908, 590, §§ 39, 69.	1933, 334, § 10.

Books of Deposit to be verified.

SECTION 28. During the first six months of the year nineteen hundred and thirty-four, and of each third year thereafter, such corporations shall call in the deposit books of their depositors for verification, under rules to be prescribed by the commissioner.

1888, 40.	1896, 193.	1908, 590, §§ 43, 69.
1894, 317, § 47.	R. L. 113, § 53.	1919, 350, §§ 45, 46.
		1933, 334, § 11.

No Officer, etc., to borrow Funds of Corporation or become Surety.

SECTION 29. No president, treasurer, member of a board of investment, or officer of such corporation charged with the duty of investing its funds, shall

borrow or use any portion thereof, be surety for loans to others or, directly or indirectly, whether acting individually or as trustee holding property in trust for another person, be an obligor for money borrowed of the corporation; and if such member or officer, either individually or as trustee holding property in trust for another person, becomes the owner of real estate upon which a mortgage is held by the corporation, his office shall become vacant at the expiration of sixty days thereafter unless he has ceased to be the owner of the real estate or has caused said mortgage to be discharged or assigned. No such corporation shall make a loan to any of its employees. This section shall not apply to loans held by such corporation on June eighth, nineteen hundred and eight, or to renewals thereof, or to the deposit of money, as provided in section fifty-four, in banks or trust companies of which one or more trustees or offices of such corporations are directors, or to loans on deposit books made under section fifty-one A.

1834, 190, § 9.	G. S. 57, § 146.	1889, 161.	1908, 590, §§ 44, 69.
R. S. 36, § 80.	1876, 203, § 10.	1894, 317, § 22.	4 Op. A. G. 297.
1858, 48.	P. S. 116, § 21.	R. L. 113, § 27.	1933, 334, § 12.

Savings Banks, etc., not to receive Brokerage, etc., on Account of a Loan.

SECTION 30. Such corporation, or a person acting in its behalf, shall not directly or indirectly negotiate, take or receive a fee, brokerage, commission, gift or other consideration for or on account of a loan made by or on behalf of such corporation, other than appears on the face of the note by which such loan purports to be made; but this section shall not prohibit a reasonable charge for services in the examination of real estate or titles, and the preparation of conveyances to such corporation as security for its loans. Whoever violates any provision of this section shall be punished by a fine of not more than one thousand dollars or by imprisonment for not more than one year, or both.

1872, 293, §§ 1, 5.	P. S. 116, § 22.	R. L. 113, § 28.
1876, 203, § 11.	1894, 317, § 23.	1908, 590, §§ 45, 69.

DEPOSITS.

Amount of Deposits limited.

SECTION 31. Such corporation may receive on deposit from any person not more than four thousand dollars; and may allow interest upon such deposits, and upon the interest accumulated thereon, until the principal, with the accrued interest, amounts to eight thousand dollars; and thereafter upon no greater amount than eight thousand dollars; but this section shall not apply to deposits by a religious or charitable corporation or labor union, or credit union, or fraternal benefit society, or in the name of a judge of probate, or by order of any court or on account of a sinking fund of a town in the commonwealth or of any trust fund held by a town for public uses, or of the funds of any state, county or municipal retirement or pension system or association.

1834, 190, § 6.	1876, 203, § 8.	1908, 590, §§ 46, 69.	4 Op. A. G. 437.
R. S. 36, § 77.	P. S. 116, § 19.	1909, 491, § 7.	1924, 67, § 1.
G. S. 57, § 141.	1889, 86, 449, § 1.	1917, 144.	1927, 109, § 1.
1874, 393.	1894, 317, § 20.	1919, 11.	1928, 60.
1875, 100.	R. L. 113, § 25.	231 Mass. 367.	1928, 156, § 2.

Restriction of Joint Deposits.

SECTION 31A. Such corporation may receive deposits on joint accounts provided for in section fourteen of chapter one hundred and sixty-seven to the amount of eight thousand dollars, and may allow interest upon such deposits and upon the interest accumulated thereon until the principal with the accrued interest amounts to sixteen thousand dollars, and thereafter upon no greater amount than sixteen thousand dollars. Persons having such joint accounts may also make deposits in their individual names, but the total amount of such deposits, both joint and individual, shall not exceed eight thousand dollars, and such corporation may allow interest upon such deposits and upon the interest accumulated thereon until the principal with the accrued interest on all said accounts amounts to sixteen thousand dollars, and thereafter upon no greater amount than sixteen thousand dollars.

1923, 40, § 1.	1924, 67, § 2.	1927, 109, § 2.
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When Depositor is to be notified.

SECTION 32. The treasurer of such corporation, at least once in each year, shall send notice by mail to each depositor who for the six months last preceding has not been entitled to a dividend on the whole amount standing to his credit because the same exceeds the amount on which interest is allowed, specifying the amount not entitled to dividend.

1871, 262, § 1.
1876, 203, § 21.

P. S. 116, § 33.
1894, 317, § 35.

R. L. 113, § 40.
1908, 590, §§ 47, 69.

Safe Deposit Vaults.

SECTION 32A. Savings banks may, with the written permission of, and under regulations approved by, the commissioner, establish and maintain safe deposit vaults and rent boxes therein. The provisions of section seventeen of chapter one hundred and fifty-eight shall apply to said banks.

1921, 79.

Deposit of Securities issued by the United States.

SECTION 33. Savings banks may, with the written permission of and under regulations approved by, the commissioner, receive and hold for their depositors any securities issued by the United States.

1919, 60.

Op. A. G. (1920) 247.

Transmission of Money.

SECTION 33A. Savings banks may, under regulations made by the commissioner, receive money for the purpose of transmitting the same, or equivalents thereof, by means of letters of credit, bills of exchange, drafts, or travelers' checks, to another state or country.

1923, 37.

1926, 162.

1933, 334, § 13.

If Deposit is made in Trust, Name and Residence of Beneficiary to be disclosed.

SECTION 34. If a deposit is made with such corporation by one person in trust for another, the name and residence of the person for whom it is made shall be disclosed, and it shall be credited to the depositor as trustee for such person. Payments may be made to the trustee; and if no other notice of the existence and terms of a trust has been given in writing to the corporation, in case of the death of the trustee the amount then on deposit, with the dividends thereon, may be paid to the person for whom such deposit was made, or to his legal representative, or, if such deposit does not exceed two hundred dollars, it may be paid to a minor or to either of the parents of such minor. All payments made in accordance with this section shall be valid payments.

1876, 203, § 20.
P. S. 116, § 32.

1894, 317, § 34.
R. L. 113, § 39.

1908, 590, §§ 48, 69.
142 Mass. 1.

146 Mass. 418.
164 Mass. 583.
1933, 334, § 14.

Depositor may set off Amount of his Deposit in proceedings by the Corporation.

SECTION 35. A person indebted to such a corporation may, when proceeded against for the collection of such indebtedness or for the enforcement of any security therefor, set off or recoup the amount of a deposit held and owned by him at the time of the commencement of such proceeding, provided, that if a proceeding in equity has been commenced to restrain the corporation from doing its actual business or if the commissioner has taken possession of such corporation as provided in section twenty-two of chapter one hundred and sixty-seven, no deposit shall so be set off or recouped by any such person unless held and owned by him on the date of the commencement of such proceeding or of possession so taken, and that the right of set-off or recoupment shall be determined as of such date whether the indebtedness of the depositor, or the deposit, is then due or payable or becomes due or payable at a later date. Any indebtedness against which a deposit is permitted to be set off or recouped as aforesaid may be secured or unsecured. Section three of chapter two hundred and thirty-two shall not apply to a set-off hereunder. Notwithstanding the foregoing, a judgment shall not be rendered against such corporation in favor of the defendant for any balance found due from it if a pro-

ceeding in equity has been commenced against the corporation or the commissioner has taken possession thereof, as aforesaid. The word "deposit", as used in this section, shall include interest due thereon.

1878, 261, § 1.	R. L. 113, § 37.	128 Mass. 512.	1933, 334, § 15.
P. S. 116, § 30.	1908, 590, §§ 49, 69.	129 Mass. 528.	239 Mass. 272.
1894, 317, § 32.			Op. A. G. (1920) 265.

Interpleader.

SECTION 36. If, in an action against such corporation for money on deposit therewith, it appears that the same fund is claimed by another party than the plaintiff, whether by the husband or wife of the plaintiff, or otherwise, the court in which such action is pending, on the petition of the corporation and on such notice to the plaintiff and to such claimants as the court considers proper, may order the proceedings to be amended by making such claimants defendants thereto; and thereupon the rights and interests of the several parties in and to said funds shall be heard and determined. Such deposits may remain with the corporation until final judgment, and shall be paid as the court orders, or may be paid into court to await final judgment; and when so paid into court, the action shall be discontinued as to such corporation and its liability for such deposit shall cease. The taxable costs of the corporation in such actions shall be in the discretion of the court, and may be charged upon the fund.

1876, 203, § 19.	1894, 317, § 33.	125 Mass. 593.	162 Mass. 455.
1877, 179.	R. L. 113, § 38.	140 Mass. 260.	219 Mass. 597.
P. S. 116, § 31.	1908, 590, §§ 50, 69.	141 Mass. 305.	

Special Trust Fund for Parks, Shade Trees, etc.

SECTION 37. Such corporation may receive on deposit to any amount funds in trust for the purpose of setting out shade trees in streets and parks and improving the same, purchasing land for parks or playgrounds and improving the same, maintaining cemeteries or cemetery lots or erecting and maintaining drinking fountains in public places. Such funds shall be placed on interest in such corporation, and the interest and dividends arising therefrom shall be paid semi-annually to such town or cemetery authorities as may be designated by the donors of said funds or by the will of the person bequeathing the same, and shall be expended by such authorities within their respective towns or cemeteries for any or all of said purposes, as may be specified by such donors or such will. No part of the principal of such funds shall be withdrawn or expended, and the same shall be exempt from attachment or levy on execution.

1875, 174, § 1.	1894, 317, § 37.	1908, 590, §§ 51, 69.
P. S. 116, § 35.	R. L. 113, § 42.	153 Mass. 462.

Probate Court may authorize Executors to deposit Such Funds.

SECTION 38. A judge of probate, after notice and a hearing, may authorize an executor, administrator or trustee holding money or other personal property for any of the purposes mentioned in the preceding section, to deposit such money, or the avails rising from such personal property, in any such corporation designated by the judge, to be held by it in the manner and for the uses and purposes mentioned in said section and upon the trusts upon which the executor, administrator or trustee held the same; and upon the deposit of such money and its receipt and acceptance by such corporation the executor, administrator or trustee shall be discharged from further care and responsibility therefor.

1877, 162.	1894, 317, § 38.	1908, 590, §§ 52, 69.	153 Mass. 462.
P. S. 116, § 36.	R. L. 113, § 43.	139 Mass. 355.	

Statement of Amount of Such Funds to be made Every Third Year.

SECTION 39. The funds held in accordance with the two preceding sections shall be known as the "Shade Tree and Cemetery Fund", and the treasurer of the corporation with which they are deposited shall give a receipt therefor to the depositor, and shall send by mail or deliver, in January in each third year after the first deposit to the mayor of a city or the chairman of the selectmen of a town within the limits of which the interest and dividends of such fund are to be expended, a written statement, signed by such treasurer, of the amount of funds on

deposit for the purposes aforesaid, which shall be recorded in the office of the city or town clerk.

1875, 174, § 2.
P. S. 116, § 37.

1894, 317, § 39.
R. L. 113, § 44.

1908, 590, §§ 53, 69.

When Funds are to be transferred.

SECTION 40. If a corporation holding such fund surrenders its charter or ceases to do business, the Supreme judicial court may order said fund to be transferred and deposited in another such corporation, upon the same trusts; and if the laws authorizing such corporations are repealed, the court may order such fund to be transferred and deposited in such banking institutions as it may find proper, to be held upon the trusts aforesaid.

1875, 174, § 3.
P. S. 116, § 38.

1894, 317, § 40.
R. L. 113, § 45.

1908, 590, §§ 54, 69.

Unclaimed Deposits. Deposits by Order of the Court.

SECTION 41. Subject to section twenty-eight of chapter two hundred and six, the probate court, court of insolvency or other court, respectively, shall, upon the application of a person interested or of the attorney general, and after public notice, order and decree that all amounts of money deposited with such corporation, by authority of any of said courts or of any judge thereof, and which shall have remained unclaimed for more than twenty years from the date of such deposit, with the increase and proceeds thereof, shall be paid to the state treasurer, to be held and used by him according to law, subject to be repaid to the person having and establishing a lawful right thereto, with interest at the rate of three per cent per annum from the time when it is so paid to said treasurer to the time when it is paid over by him to such person, as provided in the following section.

1889, 449, § 2.
1894, 317, § 50.

R. L. 113, § 55.
1908, 590, §§ 55, 69.

1918, 257, § 369.
1919, 5.

1920, 2.

Unclaimed Deposits to be paid to State Treasurer.

SECTION 42. The probate court shall, upon the application of the attorney general and after public notice, order and decree that all amounts of money deposited with any such bank which shall have remained unclaimed for more than thirty years and which are credited to depositors who cannot be found and who have not made a deposit on account of the same and have not withdrawn any part of the principal or interest thereof, and on whose pass book the interest has not been added for a period of thirty years, and for which no claimant is known, shall, with the increase and proceeds thereof, be paid to the state treasurer to be held subject to be paid to the person establishing a lawful right thereto, in accordance with the following section, with interest at the rate of three per cent per annum from the time when it was so paid to the said treasurer to the time when it is paid by him to such person. After six years from the date when such proceeds were paid to the said treasurer the same may be used as a part of the ordinary revenue of the commonwealth. Any person may, however, establish his claim at any time after the expiration of the six years above mentioned, and any claim so established shall be paid from the ordinary revenue of the commonwealth.

1907, 340, § 1.

1908, 590, §§ 56, 69.

1916, 198.

201 Mass. 23.

How such Deposits may be reclaimed.

SECTION 43. Any person claiming a right to money deposited with the state treasurer under either of the two preceding sections pursuant to a decree of a probate court or a court of insolvency in any county may establish the same by a petition to the probate court of such county, or if so deposited pursuant to the order of any other court, by a petition to the superior court under section one of chapter two hundred and fifty-eight; provided, that in cases where claims amount to less than fifty dollars each, the claims may be presented to the comptroller, who shall examine the same and allow and certify for payment such as may be proved to his satisfaction.

1907, 340, § 2.
1908, 590, §§ 57, 69.

1912, 70.
1913, 130.

201 Mass. 23.
1923, 362, § 87.
1931, 426, § 262.

When Reduction of Deposits may be ordered.

SECTION 44. The supreme judicial court or any justice thereof sitting in equity may, on petition of a savings bank or the trustees of a savings bank, approved by the commissioner, approve or order a reduction of the deposit account of each depositor therein, whenever the value of its assets is less than the total amount of its deposits so as to divide the loss equitably among said depositors. If thereafter the bank shall realize from said assets a greater sum than was fixed by said order of reduction, such excess shall be divided among the depositors whose accounts have been reduced, but to the extent of such reduction only.

1910, 622, § 11.

1919, 350, §§ 45, 46.

Guaranty Fund to be created and maintained.

SECTION 45. The trustees shall, immediately before making each semi-annual dividend, set apart as a guaranty fund from the income which has accumulated during the six months last preceding not less than one eighth nor more than one fourth of one per cent of the whole amount of deposits, until such fund amounts to seven and one half per cent thereof, and no additions shall be made to it when it amounts to seven and one half per cent, or more, thereof. Such fund shall thereafter be held to meet contingencies or losses in its business from depreciation of its securities, or otherwise. When such fund amounts to less than seven and one half per cent of the whole amount of deposits, no losses shall be met therefrom except upon written approval of the commissioner.

1876, 203, § 13.
P. S. 116, § 24.1894, 317, § 25.
R. L. 113, § 30.1908, 590, §§ 59, 69.
1 Op. A. G. 303, 538.

1933, 334, § 16.

Transfers to Guaranty Fund.

SECTION 46. Said trustees, subject to the written approval of the commissioner, may transfer from the profit and loss account to the guaranty fund such amounts, and at such times, as they deem for the best interests of the depositors if thereby such guaranty fund is not increased beyond the limit fixed by the preceding section.

1912, 122.

Manner of Division of Income.

SECTION 47. The income of such corporation, after deducting the reasonable expenses incurred in the management thereof, the taxes paid, and the amounts set apart for the guaranty fund, shall be divided among its depositors or their legal representatives, at periods of not less than three months nor more than six months as determined by its by-laws, in the manner set forth in this section and in section fifty. An ordinary dividend shall be declared at least every six months from income which has been earned, and which has been collected during the six months next preceding the date of the dividend, except that there may be added to such income, from the earnings remaining undivided after declaration of the preceding semi-annual dividend, an amount sufficient to enable the corporation to declare an ordinary dividend at a rate not in excess of the rate of such preceding dividend; but the total ordinary dividends declared during any twelve months shall not exceed the net income of the corporation actually collected during such period, except upon written approval of the commissioner. If ordinary dividends are declared oftener than every six months they shall be declared from income which has been earned, and which has been collected during the next preceding six months, after deducting therefrom previous ordinary dividends paid, the reasonable expenses incurred, the taxes paid and the amount to be set apart for the guaranty fund. Dividends shall be treated as deposits, and if not withdrawn shall be considered, in computing the dividend next following, as having been on deposit for the preceding interest period. Ordinary dividends shall be at such rate, not exceeding five per cent a year, as the trustees shall determine. No dividend shall be paid in excess of the rate of four per cent a year unless the maximum semi-annual amount of one fourth of one per cent of the whole amount of deposits, as required by section forty-five, has been set apart for the guaranty fund. Any excess of income remaining after the payment of any dividend shall be credited to a profit and loss account. No ordinary dividends shall be declared or paid except

as above provided, nor upon a deposit of less than three months' standing; but, if the by-laws of the corporation so provide, ordinary dividends may be declared and paid upon deposits of one, two, four or five months' standing. In the computation of such dividends, when the day on which deposits begin to draw interest, as provided in the by-laws or regulations, falls on a Sunday or legal holiday, deposits made on the next succeeding business day, and remaining on deposit through the balance of the monthly period, may be construed as having been on deposit one full month, within the meaning of this section. The corporation may, by its by-laws, provide that a dividend shall not be declared or paid on deposits less than three dollars, or that fractional parts of a dollar shall not be included in principal in computing dividends.

1834, 190, § 10.	G. S. 57, § 147.	1894, 317, § 26.	1908, 590, §§ 60, 69.
R. S. 36, § 81.	1876, 203, § 14.	1897, 109.	1919, 116, §§ 2, 4; 326, § 1.
1859, 181, § 1.	P. S. 116, § 25.	R. L. 113, § 31.	1933, 334, § 17.

Payment of Dividends to be authorized by Trustees.

SECTION 48. Immediately before a meeting of the trustees called to consider the declaration of a dividend, the auditing committee shall make or cause to be made an examination of the income, profits and expenses for the six months' period last preceding the date of the declaration of the dividend, and shall report to the trustees the estimated net earnings of said period. No dividend shall be paid unless declared and authorized by the trustees after said examination, and a copy of said report shall be filed and preserved with the records of the corporation.

1859, 189, §§ 2, 3.	P. S. 116, § 28.	1908, 590, §§ 61, 69.
G. S. 57, § 147.	1894, 317, § 29.	1919, 326, § 1.
1876, 203, § 17.	R. L. 113, § 34.	1920, 414.
		Op. A. G. (1919) 115.

When Dividend is not to be paid.

SECTION 49. If, at the time provided by the by-laws for making ordinary dividends, the net income for the interest period last preceding, over and above the amount to be set apart for the guaranty fund, does not amount to one and one half per cent of the deposits, if said period is six months, or a proportional percentage thereof, if the period is less than six months, no dividend shall be declared or paid, except such as shall be approved in writing by the commissioner.

1876, 203, § 15.	P. S. 116, § 26.	R. L. 113, § 32.	1919, 326, § 1.
1880, 150.	1894, 317, § 27.	1908, 590, §§ 62, 69.	1919, 350, §§ 45, 46.
			1933, 334, § 18.

When Extra Dividends shall be paid.

SECTION 50. Whenever the guaranty fund and profit and loss account together amount to fifteen and one quarter per cent of the deposits after an ordinary dividend is declared, an extra dividend at a rate of not less than one quarter of one per cent shall be declared, to be computed in the same manner as such ordinary dividend, and such extra dividend shall be paid on the day on which the ordinary dividend is paid; but in no case shall the payment of an extra dividend as herein provided reduce the guaranty fund and profit and loss account together to less than fifteen per cent of the deposits.

1876, 203, § 16.	1888, 355.	1896, 231.	1908, 590, §§ 63, 69.
P. S. 116, § 27.	1894, 317, § 28.	R. L. 113, § 33.	1933, 334, § 19.
			Op. A. G. (1920) 254.

Withdrawal of Deposits.

SECTION 51. The deposits in such corporation may be withdrawn at such time and in such manner as the by-laws direct, and, for the purpose of computing the limitations on the principal amounts of such deposits as provided by section thirty-one, all deposits so withdrawn shall be deducted first from the principal amounts last deposited, exclusive of dividends; but the treasurer of such corporation may at any time require a depositor to give a written notice not exceeding ninety days of his intention to withdraw the whole or any part of his deposit or to apply for a loan under section fifty-one A. Whenever said notice is required from ten or more depositors on any one day, such corporation shall be deemed to have made a general requirement and shall file with the commissioner within

forty-eight hours thereafter a written notice thereof. Until such general requirement has been removed and notice thereof filed with the commissioner, no payment by way of withdrawal or loan shall be made to any depositor on account of his deposit, except that, with the approval of the commissioner, such sum or sums not exceeding, in the aggregate, an amount fixed by the board of investment may be so paid to each depositor.

Whenever in the judgment of the board of investment there is an unusual demand for withdrawals the corporation may with the approval of the commissioner, and whenever in the opinion of the commissioner there is such an unusual demand the corporation shall upon his order, require a depositor to give written notice of his intention to withdraw the whole or any part of his deposits or to apply for a loan under section fifty-one A, such notice to be for such period, not exceeding six months, as may be determined by the commissioner, which period may in his discretion be extended, but not beyond one year from the date of notice; and until such a requirement has been revoked by the commissioner the foregoing limitations as to payments by way of withdrawal or loan applicable in case of a general requirement as aforesaid shall apply.

Such corporation shall not advertise for deposits in newspapers, by posters or other written solicitation, while any requirement of notice of intention to withdraw is in effect, unless the advertisement shall contain, in type not smaller than the largest type thereof, a statement that such deposits may not be paid out by way of withdrawal or loan except in accordance with the terms of the requirement, which terms shall be set forth in such statement.

1834, 190, § 10.	1876, 203, § 18.	R. L. 113, § 35.	127 Mass. 183.
R. S. 36, § 81.	P. S. 116, § 29.	1908, 590, §§ 64, 69.	141 Mass. 33.
G. S. 57, § 147.	1894, 317, § 30.	1921, 292, § 1.	1922, 468, § 1.
			1932, 245.

Loans on Deposit Books.

SECTION 51A. Such corporation shall, upon application by a depositor or by either of two joint depositors under section fourteen of chapter one hundred and sixty-seven, make a loan to him, secured by his deposit book up to the amount of said deposit account, for a time not extending beyond the end of the dividend period in which the loan was made. Said corporation may charge the depositor interest for, or may collect discount in advance upon, the loan at a rate not exceeding one per cent more than the combined rates of the next preceding dividend distribution of such corporation. The corporation shall keep posted in its banking room a notice containing the substance of this section and section fifty-one in such form as the commissioner may prescribe.

1922, 468, § 2.

1933, 334, § 20.

Payment on Order after Death of Drawer.

SECTION 52. Such corporation may pay an order, drawn by a person who has funds on deposit to meet the same, notwithstanding the death of the drawer, if presentation is made within thirty days after the date of such order; and at any time if the corporation has not received written notice of the death of the drawer.

1885, 210, § 2.
1894, 317, § 31.

R. L. 113, § 36.
1908, 590, §§ 65, 69.

211 Mass. 532.

Payments to Minors.

SECTION 53. Money deposited in the name of a minor may, at the discretion of the treasurer, be paid to such minor or to the person making the original deposit; and the same shall be a valid payment.

1855, 361.
G. S. 57, § 154.

1876, 203, § 18.
P. S. 116, § 29.

1894, 317, § 30.
R. L. 113, § 35.

1908, 590, §§ 66, 69.
152 Mass. 49.
1933, 334, § 21.

INVESTMENTS.

Investments authorized.

SECTION 54. Deposits and the income derived therefrom shall be invested only as follows:

P. S. 116, § 20.
1894, 317, § 21.

R. L. 113, § 26.
1908, 590, §§ 68, 69.

134 Mass. 177.

First Mortgages of Real Estate.

First. In first mortgages of real estate located in the commonwealth not exceeding sixty per cent of the value of such real estate; but not more than seventy per cent of the whole amount of deposits shall be so invested. If a loan is made on unimproved and unproductive real estate the amount loaned thereon shall not exceed forty per cent of the value of such real estate. No loan on mortgage shall be made except upon written application showing the date, name of applicant, amount asked for and security offered, nor except upon the report of not less than two members of the board of investment who shall certify on said application, according to their best judgment, the value of the premises to be mortgaged; and such application shall be filed and preserved with the records of the corporation. No loan on mortgage shall be made for a period extending beyond three years from the date of the note.

Not later than three years after the date of such loan not less than two members of the board of investment shall certify in writing, according to their best judgment, the value of the premises mortgaged; and the premises shall be revalued in the same manner at intervals of not more than three years so long as they are mortgaged to such corporation. Such report shall be filed and preserved with the records of the corporation. If such loan is made on demand or for a shorter period than three years, a revaluation in the manner above prescribed shall be made of the premises mortgaged not later than three years after the date of such loan and at least every third year thereafter. If at the time a revaluation is made the amount loaned is in excess of sixty per cent, or, in the case of unimproved and unproductive real estate, in excess of forty per cent, of the value of the premises mortgaged, a sufficient reduction in the amount of the loan shall be required, as promptly as may be practicable, to bring the loan within sixty per cent, or, in the case of unimproved and unproductive real estate, within forty per cent of the value of said premises.

Whenever the commissioner deems an excessive loan has been made, or is about to be made upon real estate, he may cause an appraisal of said real estate to be made at the expense of the bank making the loan. One appraiser shall be named by the commissioner, one by the bank making the loan, and a third by the two thus named. Said appraisers shall determine the value of said real estate and certify the same in writing to the commissioner and to the bank. If it shall appear from said appraisal that said loan is in excess of the amount allowed by this clause, the commissioner may make such order in relation thereto as he deems advisable.

1834, 190, § 7.	P. S. 116, § 20, cl. 1, § 23.	1919, 350, §§ 45, 46.	1 Op. A. G. 434.
R. S. 36, § 78.	1894, 317, § 21, cl. 1, § 24.	180 Mass. 444.	2 Op. A. G. 23, 593.
G. S. 57, §§ 142, 143.	R. L. 113, § 26, cl. 1, § 29.	202 Mass. 214.	3 Op. A. G. 256.
1872, 293, § 3.	1908, 590, § 68, cl. 1, § 69.	211 Mass. 252.	245 Mass. 75.
1876, 203, § 9, cl. 1, § 12.	1910, 622, § 10.		1933, 334, § 22.

Public Funds.

Second. (a) In the public funds of the United States or of this commonwealth, or in the legally authorized bonds or notes of any other state of the United States, but not including a territory or dependency thereof, which has not within the twenty years prior to the making of such investment defaulted in the payment of any part of either principal or interest of any legal debt; provided, that the full faith and credit of such state is pledged for the payment of such bonds or notes.

1834, 190, § 7.	1863, 175, § 1.	1881, 214, § 2.	1908, 590, § 68, cl. 2 (a), § 69.
R. S. 36, § 78.	1876, 203, § 9, cl. 2.	P. S. 116, § 20, cl. 2.	*1925, 209, § 1.
G. S. 57, § 142.	1880, 177.	R. L. 113, § 26, cl. 2 (a).	1933, 334, § 23.

(b) In the bonds or notes of a county, city or town of this commonwealth.

1894, 317, § 21, cl. 2.	R. L. 113, § 26, cl. 2 (b).	1908, 590, § 68, cl. 2 (b), § 69.
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(c) In the bonds or notes of an incorporated district in this commonwealth whose net indebtedness does not exceed five per cent of the last preceding valuation of the property therein for the assessment of taxes.

1885, 111.	R. L. 113, § 26, cl. 2 (c).	1908, 590, § 68, cl. 2 (c), § 69.
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* This act shall not be construed to invalidate any investments lawfully made prior to its effective date, 1925, 209, § 4.

(d) In the bonds or notes of any city of Maine, New Hampshire, Vermont, Rhode Island or Connecticut, whose net indebtedness does not exceed five per cent of the last preceding valuation of the property therein for the assessment of taxes; or of any county or town of said states whose net indebtedness does not exceed three per cent of such valuation; or of any incorporated water district of said states which has within its limits more than five thousand inhabitants, and whose bonds or notes are a direct obligation on all the taxable property of such district, and whose net indebtedness does not exceed three per cent of such valuation; provided, that there is not included within the limits of such water district either wholly or in part, any city or town the bonds or notes of which are not a legal investment.

R. L. 113, § 26, cl. 2 (d).
1904, 208.

1908, 590, § 68, cl. 2 (d), § 69.

1909, 491, § 8.
2 Op. A. G. 323.

(e) In the legally authorized bonds for municipal purposes, or in refunding bonds issued to take up at maturity bonds which have been issued for other than municipal purposes, of any city of any state of the United States, other than a territory or dependency thereof, which was incorporated as such at least twenty-five years prior to the date of such investment, which has at such date not less than thirty thousand nor more than one hundred thousand inhabitants, as established by the last national or state census, or city census certified to by the city clerk or treasurer of said city and taken in the same manner as a national or state census, preceding such date, and whose net indebtedness does not exceed five per cent of the valuation of the taxable property therein, to be ascertained by the last preceding valuation of property therein for the assessment of taxes.

1882, 231.
1885, 124.
1887, 423.
1888, 90.

1890, 369.
1894, 317, § 21, cl. 2 (f).
1895, 164.
R. L. 113, § 26, cl. 2 (f).

1908, 590, § 68, cl. 2 (e), 1 Op. 1. A. G. 190.
§ 69.
4 Op. A. G. 225.
1912, 580, § 1.
*1925, 209, § 2.
1933, 334, § 23.

(f) In the legally authorized bonds for municipal purposes, or in refunding bonds issued to take up at maturity bonds which have been issued for other than municipal purposes, of any city of any state of the United States, other than a territory or dependency thereof, which was incorporated as such at least twenty-five years prior to the date of such investment, which has at such date more than one hundred thousand inhabitants, established in the same manner as is provided in subdivision (e) of this clause, and whose net indebtedness does not exceed seven per cent of the valuation of the taxable property therein, to be ascertained as provided in said subdivision (e).

1912, 580.

4 Op. A. G. 225.

*1925, 209, § 3.

1933, 334, § 23.

(g) In subdivisions (d), (e) and (f) of this clause the words "net indebtedness" mean the indebtedness of a county, city, town or district, omitting debts created for supplying the inhabitants with water and debts created in anticipation of taxes to be paid within one year, and deducting the amount of sinking funds available for the payment of the indebtedness included.

1894, 317, § 21, cl. 2 (f).
1908, 590, § 68, cl. 2 (e).

1912, 580.
2 Op. A. G. 115.

4 Op. A. G. 225.

(h) The provisions of subdivisions (d), (e) and (f) of this clause shall not authorize the investment of funds in the bonds or notes of any county, city, town or district which has been in default for more than one hundred and twenty days in the payment of any of its indebtedness or interest thereon within ten years next preceding the making of such investment. A county, city, town or district shall be considered to be in default within the meaning of this subdivision while any unpaid and overdue obligation, either principal or interest, shall remain outstanding.

1933, 334, § 24.

Railroad Bonds. Massachusetts Railroads.

Third. (a) In the bonds or notes, issued in accordance with the laws of this commonwealth, of a railroad corporation incorporated therein the railroad of

* This act shall not be construed to invalidate any investments lawfully made prior to its effective date, 1925, 209, § 4.

which is located wholly or in part therein, which has paid in dividends in cash an amount equal to not less than four per cent per annum on all its outstanding issues of capital stock in each fiscal year for the five years preceding such investment, or in the first mortgage bonds of a terminal corporation incorporated in this commonwealth and whose property is located therein, which is owned and operated or the bonds of which are guaranteed as to principal and interest, or assumed, by such railroad corporation. Any shares of the capital stock of a railroad corporation leased to such railroad corporation, which are owned by said lessee corporation, shall not be considered as outstanding within the meaning of this subdivision.

1887, 196. R. L. 113, § 26, cl. 3 (c). 1908, 590, § 68, cl. 3 (a), § 69. Op. A. G. (1918), 110.

New England Railroads.

(b) In the bonds or assumed bonds of a railroad corporation incorporated in any of the New England states, at least one half of the railroad of which is located in said states, whether such corporation is in possession of and is operating its own road or is leased to another railroad corporation: provided, either that such bonds shall be secured by a first mortgage of the whole or a part of the railroad and railroad property of such corporation, or by a refunding mortgage as described in paragraph (3) or (4) of subdivision (g), or that if the railroad and railroad property of such corporation are unencumbered by mortgage such bonds shall be issued under the authority of one of said states which provides by law that no such railroad corporation which has issued bonds shall subsequently execute a mortgage upon its road, equipment and franchise or upon any of its real or personal property without including in and securing by such mortgage all bonds previously issued and all its pre-existing debts and liabilities, which provision, so enacted in such state, shall have been accepted by the stockholders of such corporation; and provided, that such corporation has paid in dividends in cash an amount equal to not less than four per cent per annum on all its outstanding issues of capital stock in each fiscal year for the five years preceding such investment.

1841, 44.	P. S. 116, § 20, cl. 3.	1894, 317, § 21, cl. 3.	1908, 590, § 68, cl. 3 (b), § 69.
1863, 175, § 1.	1886, 176.	1898, 184, § 1, cls. (a).	1909, 491, § 8.
1876, 203, § 9, cl. 3.	1887, 196.	(d)	1 Op. A. G. 149, 619.
1881, 214, § 1.	1889, 305.	R. L. 113, § 26, cl. 3 (a).	2 Op. A. G. 257.

Guaranteed Railroad Bonds.

(c) In the first mortgage bonds or assumed first mortgage bonds or in the bonds secured by a refunding mortgage as described in paragraph (3) or (4) of subdivision (g), of a railroad corporation incorporated in any of the New England states, the railroad of which is located wholly or in part therein, which have been guaranteed as to principal and interest by a railroad corporation described in subdivision (a) or (b) which is in possession of and is operating its own road.

1887, 196.	R. L. 113, § 26, cl. 3 (b).	1909, 491, § 8.
1898, 184, § 1, cl. (b).	1908, 590, § 68, cl. 3 (c), § 69.	3 Op. A. G. 43, 462.

Dividends paid by Railroads.

(d) No bond shall be made a legal investment by subdivision (b) unless the corporation which issued or assumed such bond has, during its fiscal year preceding the date of such investment, paid in dividends on its capital stock an amount equal to one third of the total amount of interest paid on all its direct and assumed funded indebtedness.

No bond shall be made a legal investment by subdivision (c) unless the corporation which guaranteed such bond has, during its fiscal year preceding such investment, paid in dividends on its capital stock an amount equal to one third of the total amount of interest paid on all its direct, assumed and guaranteed funded indebtedness.

1908, 590, § 68, cl. 3 (d). 1909, 491, § 8.

Other Railroads. Description of Corporation.

(e) In the mortgage bonds, as described in any of the following subdivisions of this clause, of any railroad corporation incorporated under the laws of any of the United States:

Provided, that during each of the five fiscal years of such railroad corporation preceding the date of such investment—

(1) Such railroad corporation owned in fee not less than five hundred miles of standard gauge railroad, exclusive of sidings, within the United States, or if such corporation owned in fee less than five hundred miles of such railroad, the gross earnings of such corporation, reckoned as hereinafter provided, shall have been not less than fifteen million dollars;

(2) Such railroad corporation shall have paid the matured principal and interest of all its mortgage indebtedness;

(3) Such railroad corporation shall have paid in dividends in cash to its stockholders an amount equal to at least four per cent upon all its outstanding capital stock;

(4) The gross earnings from the operation of the property of such railroad corporation, including therein the gross earnings of all railroads leased and operated or controlled and operated by said corporation, and the gross earnings from the sale of coal from mines owned or controlled by it, shall not have been less in amount than five times the amount necessary to pay the interest payable upon its entire outstanding indebtedness, the rentals of all leased lines, and the interest on all the outstanding indebtedness of railroads controlled and operated which are not owned by said corporation after deducting from said interest and rentals interest and dividends received from the stocks, bonds or notes of railroad corporations not operated by said corporation, which have been deposited with a trustee as the only security to secure the payment of bonds or notes issued by said corporation, but not in excess of the interest on said last named bonds or notes;

And further provided that—

(5) No bonds shall be made a legal investment by subdivision (g) in case the mortgage securing the same shall authorize a total issue of bonds which, together with all outstanding prior debts of the issuing or assuming corporation, including all bonds not issued that may legally be issued under any of its prior mortgages or of its assumed prior mortgages, after deducting therefrom, in case of a refunding mortgage, the bonds reserved under the provisions of said mortgage to retire prior lien debts at maturity, shall exceed three times the outstanding capital stock of said corporation at the date of such investment;

(6) No bonds shall be made a legal investment by subdivision (i) or (j) in case the mortgage securing the same shall authorize a total issue of bonds which, added to the total debt of the guaranteeing corporation as defined in paragraph (5), including therein the authorized amount of all previously guaranteed bond issues, shall exceed three times the capital stock of such guaranteeing corporation outstanding at the date of such investment; nor in case at said date the total debt of the corporation which issued said bonds shall exceed three times its outstanding capital stock;

In the case of a mortgage executed prior to June eighth, nineteen hundred and eight, under which the total amount of bonds which may be issued is not specifically stated, the amount of bonds outstanding thereunder at the date of such investment shall be considered, for the purposes of paragraph (5) and of this paragraph, as the total authorized issue.

1899, 269.

1908, 590, § 68, cl. 3 (e).

2 Op. A. G. 43

3 Op. A. G. 183.
1931, 346, § 1.

Description of Bonds. Definition of First Mortgage.

(f) Whenever the term "first mortgage" is used in the following subdivisions, it shall mean unless otherwise qualified, a first mortgage on not less than seventy-five per cent of the railroad owned in fee at the date of the mortgage by the railroad corporation on the railroad of which said mortgage is a lien, but in no case on less than one hundred continuous miles of standard gauge railroad, exclusive of sidings: provided that—

Seventy-five per cent of the railroad subject to the lien of said mortgage is connected;

For five years prior to the date of investment therein all the railroad subject to the lien of said mortgage at the date of execution thereof has been operated by, and its operations included in, the operations of the railroad corporation which issues, assumes or guarantees said bonds;

1908, 590, § 68, cl. 3 (f).

1931, 346, § 2.

Railroad Mortgage Bonds.

(g) Bonds issued or assumed by a railroad corporation described in subdivision (e) which are secured by a mortgage which was at the date thereof or is at the date of such investment—

(1) A first mortgage on a railroad owned in fee by the corporation issuing or assuming said bonds, except that, if it is not a first mortgage on seventy-five per cent of all such railroad owned in fee by said corporation, it shall be a first mortgage on at least seventy-five per cent of the railroad subject to the lien of said mortgage at the date thereof; but if any stocks or bonds are deposited with the trustee of said mortgage as part security therefor, representing or covering railroad mileage not owned in fee, the bonds secured by said mortgage shall not become legal investments unless said corporation owns in fee at least seventy-five per cent of the total mileage which is subject to the lien of said mortgage and which is represented or covered by said stocks or bonds;

(2) A first mortgage, or a mortgage or trust indenture which is in effect a first mortgage upon all the railroad subject to the lien of said mortgage or trust indenture by virtue of the irrevocable pledge with the trustee thereof of an entire issue or issues of bonds which are a first lien, upon the railroad of a railroad corporation which is owned and operated, controlled and operated or leased and operated by the corporation issuing or assuming said bonds;

1908, 590, § 68, cl. 3 (g).

(3) A refunding mortgage which covers at least seventy-five per cent of the railroad owned in fee by said corporation at the date of said mortgage and provides for the retirement of all outstanding mortgage debts which are a prior lien upon said railroad owned in fee and covered by said refunding mortgage at the date thereof; but if any of the bonds which said refunding mortgage is given to refund are secured on a railroad not owned in fee by the corporation executing said refunding mortgage, there shall be conveyed and assigned to the trustee of said refunding mortgage either—

1909, 491, § 8.

At least seventy-five per cent of the railroad on which each issue of bonds to be refunded is secured, free from any mortgage lien except that of the mortgage or mortgages securing the bonds to be refunded; or

At least seventy-five per cent of the outstanding bonds of each issue which is secured by a mortgage lien upon such railroad; and all of said railroad not owned in fee which is so subjected to the lien of said refunding mortgage shall be the railroad of one or more railroad corporations which are owned and operated, controlled and operated, or leased and operated by the corporation issuing or assuming said refunding mortgage bonds;

(4) A mortgage upon not less than ten per cent of the railroad, exclusive of sidings, owned in fee at the date of said mortgage by the corporation issuing or assuming said bonds, but in no case on less than five hundred continuous miles of standard gauge railroad: provided that—

Said mortgage is a first or second lien upon not less than seventy-five per cent of the total railroad covered by said mortgage at the date thereof, and which provides for the retirement of all mortgage debts which are a prior lien upon said railroad owned in fee and covered by said mortgage, at the date of the execution thereof.

1931, 346, §§ 3, 4.

Bonds underlying Refunding Mortgages.

(h) Mortgage bonds or bonds secured by mortgage bonds which are a direct obligation of, or which have been assumed, or which have been guaranteed by endorsement as to both principal and interest, by a railroad corporation whose refunding mortgage bonds are made a legal investment under paragraph (3) or (4) of subdivision (g): provided that—

Said bonds are prior to and are to be refunded by such refunding mortgage;

Said refunding mortgage covers all the real property upon which the mortgage securing said underlying bonds is a lien;

In the case of bonds so guaranteed or assumed, the corporation issuing said

bonds is owned and operated, controlled and operated, or leased and operated, by said railroad corporation.

1908, 590, § 68, cl. 3 (h).

Guaranteed Obligations.

(i) Bonds which have been guaranteed by endorsement as to both principal and interest by a railroad corporation which has complied with all the provisions of subdivision (e): provided that—

Said bonds are secured by a first mortgage on the railroad of a railroad corporation which is owned and operated, controlled and operated, or leased and operated, by the corporation guaranteeing said bonds;

In the case of a leased railroad, the entire capital stock of which, except shares qualifying directors, is not owned by the lessee, the rental includes an amount to be paid to the stockholders of said leased railroad equal to at least four per cent per annum upon that portion of the entire capital stock thereof outstanding which is not owned by the lessee.

1908, 590, § 68, cl. 3 (i).

2 Op. A. G. 257.

Guaranteed Bonds of Railroads not operated.

(j) First mortgage bonds of a railroad corporation which during each of its five fiscal years preceding the date of such investment has complied with all the requirements of paragraphs (2), (3) and (4) of subdivision (e), provided that said bonds are guaranteed by endorsement as to both principal and interest by a railroad corporation which has complied with all the requirements of subdivision (e) preceding paragraph (5), notwithstanding that the railroad of said issuing corporation is not operated by said guaranteeing corporation.

1908, 590, § 68, cl. 3 (j).

1909, 491, § 8.

1931, 346, § 5.

Corporation not to lose Credit by Temporary Disturbance of Relation of Gross Earnings to Fixed Charges.

(k) Bonds which have been or shall become legal investments under any of the provisions of this section shall not be rendered illegal although the corporation issuing, assuming or guaranteeing such bonds shall fail for a period not exceeding two successive fiscal years to comply with the requirements of paragraph (4) of subdivision (e); but no further investment in the bonds issued, assumed or guaranteed by said corporation shall be made during said period. If after the expiration of said period said corporation complies for the following fiscal year with all the requirements of subdivision (e), it shall be regarded as having complied therewith during said period.

1908, 590, § 68, cl. 3 (k).

Bonds not to become Illegal on Account of Consolidation.

(l) Bonds which have been or shall become legal investments under any of the provisions of this section shall not be rendered illegal, although the property upon which they are secured has been or shall be conveyed to or legally acquired by another railroad corporation, and although the corporation which issued or assumed said bonds has been or shall be consolidated with another railroad corporation if the consolidated or purchasing corporation shall assume the payment of said bonds and so long as it shall continue to pay regularly interest or dividends, or both, upon the securities issued against, in exchange for, or to acquire the stock of the corporation consolidated, or the property purchased, or upon securities subsequently issued in exchange or substitution therefor, to an amount at least equal to four per cent per annum upon the capital stock outstanding at the time of such consolidation or purchase of said corporation which issued or assumed said bonds.

1908, 590, § 68, cl. 3 (l).

Credit of a Corporation not to be lost by Consolidation.

(m) If a railroad corporation which has complied with all the requirements of subdivision (e) preceding paragraph (5), except that the period of compliance is less than five, but not less than three successive years, shall be, or shall have been, thereupon consolidated or merged with, or its railroad purchased and all of the

debts of such corporation assumed by, another railroad corporation incorporated under the laws of any of the United States, such corporation so succeeding shall be considered as having complied with all the provisions of subdivision (e) preceding paragraph (5) during those successive years preceding the date of such consolidation, merger or purchase in which all said consolidated, merged or purchased corporations, if considered as one continuous corporation in ownership and possession, would have so complied; provided, that said succeeding corporation shall continue so to comply for a further period which shall make such compliance equivalent to at least five successive years, but which shall be in no case less than the two fiscal years next following said consolidation, merger, or purchase.

1908, 590, § 68, cl. 3 (m).

1931, 346, § 6.

Street Railway Corporations are not Railroad Corporations.

(n) In this clause, unless the context otherwise requires, "railroad corporation" means a corporation which owns or is in possession of and operating a railroad or railway of the class usually operated by steam power. Street railway corporations are not railroad corporations within the meaning of this clause.

1908, 590, § 68, cl. 3 (n).

(o) *Repealed, 1931, 346, § 7.*

Railroad Equipment Securities.

(p) In notes, bonds or other obligations, issued or guaranteed as to principal and interest by a railroad corporation which complies with all the requirements of subdivisions (b) and (d), or subdivision (e) preceding paragraph (5); provided, that— (1) such securities are secured by a first lien on, or by a lease and conditional sale of, new railroad equipment of standard gauge, consisting of locomotives, passenger train cars or freight train cars, free from all other encumbrances, for the purchase of which such securities were issued at not exceeding eighty per cent of the purchase price of such equipment; (2) the instrument under which such securities are issued or the lease and conditional sale of such equipment provides for the proper maintenance and replacement thereof and for the payment of the entire issue of such securities in not exceeding fifteen equal annual or thirty equal semi-annual instalments from date of issue, without the release of any part of the lien or interest in any part of the equipment securing such securities until the said entire issue of the series so secured shall have been paid or redeemed. Not more than ten per cent of the deposits of any such bank shall be invested in securities which are legal under this subdivision, nor more than two per cent of its deposits in such securities issued or guaranteed by, or secured by lease and conditional sale to, any one railroad corporation.

1926, 283.

Street Railway Bonds.

Fourth. (a) In the bonds of any street railway company incorporated in this commonwealth, the railway of which is located wholly or in part therein, and which has earned and paid in dividends in cash an amount equal to at least five per cent upon all its outstanding capital stock in each of the five years last preceding the certification hereinafter provided for by the department of public utilities or its predecessors except the six months' period beginning July first and ending December thirty-first, nineteen hundred and sixteen. No such investment shall be made unless said company appears from returns made by it to the said department to have properly paid said dividends without impairment of assets or capital stock, and said department shall annually on or before June fifteenth certify and transmit to the commissioner a list of such street railway companies.

Dividends paid by way of rental to stockholders of a leased street railway company shall be deemed to have been earned and paid by said company within the meaning of this clause, provided that said company shall have annually earned, and properly paid in dividends in cash without impairment of assets or capital stock, an amount equal to at least five per cent upon all its outstanding capital stock in each of the five fiscal years preceding the date of the lease thereof.

If two or more street railway companies have been consolidated by purchase or

otherwise during the five years prior to said certification, the payment severally from the earnings of each year of dividends equivalent in the aggregate to a dividend of five per cent on the aggregate capital stocks of the several companies during the years preceding such consolidation shall be sufficient for the purpose of this clause.

1902, 483.
1906, 463, III, §§ 147, 148, 158.
1908, 590, § 68, cl. 5, § 69.

1909, 502, § 2.
1915, 273, § 1.
1917, 122, §§ 2, 5.

1919, 350, §§ 45, 46, 117.
3 Op. A. G. 338.
1932, 112.

(b) In legally authorized bonds of the Boston Elevated Railway Company provided that such bonds mature during the period of public management and operation of said company under chapter one hundred and fifty-nine of the Special Acts of nineteen hundred and eighteen as amended, or in case the requirements of the preceding subdivision (a) are complied with.

Bonds which have been or shall become legal investments under this clause shall not, except as hereinafter provided, be deemed to be an illegal investment by reason of the fact that the corporation issuing such bonds shall fail or has heretofore failed for a period not exceeding two successive fiscal years to earn and pay dividends in accordance with the requirements of this clause, but no further investment in the bonds issued by the corporation shall be made during said period. If after the expiration of said period the corporation earns and pays or has earned and paid dividends during the following fiscal year in accordance with the requirements of this clause, it shall be regarded as having complied therewith during said period: provided, that it shall not have so failed to comply during any other period within the preceding five years; and provided, that during said period of non-compliance its annual earnings shall have been at least sufficient to provide for the payment of the interest upon its outstanding indebtedness and all other fixed charges in addition to its operating expenses. The said department shall certify and transmit to the commissioner a list of any street railway companies whose bonds become legal investments by virtue of this paragraph.

1915, 273, § 1.

Telephone Company Bonds.

Fifth. In the bonds of any telephone company incorporated under the laws of, and doing business in, any state of the United States on the continent of North America.

Provided, that during each of the five fiscal years of such telephone company preceding the date of such investment—

(1) The gross income of such telephone company shall have been not less than ten million dollars per annum.

(2) Such telephone company shall have paid the matured principal and interest of all its indebtedness.

(3) Such telephone company shall have paid in dividends in cash an amount equal to not less than six per cent per annum on all its outstanding issues of capital stock.

(4) The dividends paid on the capital stock of such telephone company shall not have been less than the total amount necessary to pay the interest upon its entire outstanding indebtedness.

And further provided, that such bonds shall be secured either (a) by a first mortgage upon at least seventy-five per cent of the property of such telephone company, or (b) by the deposit with a trust company incorporated under the laws of this commonwealth of bonds and shares of stock of other telephone corporations, under an indenture of trust which limits the amount of bonds so secured to seventy-five per cent of the value of the securities deposited as stated and determined in said indenture, and provided that during each of the five years preceding such investment the annual interest and dividends paid in cash on the securities deposited have amounted to not less than fifty per cent in excess of the annual interest on the bonds outstanding and secured by said deposit. Not more than five per cent of the deposits of any such bank shall be invested in the bonds of telephone companies nor shall more than two per cent of such deposits be invested in the bonds of any one telephone company.

1908, 590, § 68, cl. 6.

1925, 208.

1928, 42.

Gas, Electric or Water Company Bonds.

Sixth. In the bonds of a gas, electric or water company secured by a first mortgage of the franchise and property of the company: provided, that the net earnings of the company, after payment of all operating expenses, taxes and interest, as reported to, and according to the requirements of, the proper authorities of the commonwealth, have been in each of the three fiscal years preceding the making of such investment equal to not less than four per cent on all its capital stock outstanding in each of said years; and, provided, that the gross earnings of the company in the fiscal year preceding the making of the investment have been not less than one hundred thousand dollars.

A list of the companies whose securities prima facie comply with the requirements of this clause shall be furnished to the commissioner annually, at such time after June sixteenth in any year as he shall designate, by the proper authorities of the commonwealth having supervision over such companies.

1919, 104, § 2.

1921, 229.

1922, 159, § 1.

Certain Public Service Company Bonds.

Sixth A. In the bonds, maturing not later than thirty years subsequent to such investment, issued or assumed by any corporation incorporated under the laws of the United States or of any state thereof which is operating under the supervision of a public service or other similar commission of the United States or of any state thereof exercising regulatory jurisdiction therein and is engaged in the sale and distribution of electricity, or in such sale and distribution and also in some other form of public service enterprise, or in the manufacture and distribution of artificial gas, or in the sale or distribution, of natural gas supplied in substitution for or in mixture with artificial gas, but in no case shall the bonds of any company engaged in the sale or distribution of natural gas become a legal investment unless said company maintains at all times full facilities for the manufacture of artificial gas in quantities sufficient to supply the normal demand, and is doing at least eighty per cent of its business within the territorial limits of the United States; provided, that—

(1) The gross operating revenue of the corporation issuing or assuming such bonds shall be not less than one million dollars for its fiscal year immediately preceding the time of making such investment, and of such revenue at least seventy-five per cent shall be derived from the sale and distribution of electricity, artificial gas and natural gas, or any one or more of them, and not exceeding twenty per cent from the operation of a transportation system.

(2) Such corporation shall operate under a franchise or franchises under which at least seventy-five per cent of its gross operating revenue is earned and extending at least three years beyond the maturity of any such bond, or under an indeterminate franchise or permit from, or agreement with, a public service commission or other competent public authority, which franchise, permit or agreement equally protects the security of the bondholders.

(3) The capital stock of such corporation shall be equal to at least two thirds the total funded debt thereof; provided, that, in the case of a corporation having shares without par value, the value of its property as shown by its books shall exceed by at least two thirds its total mortgage indebtedness.

(4) For the period of five years immediately preceding the time of making any investment authorized by this clause, the officially reported net earnings available for interest charges of such corporation, as shown by its annual reports or other sworn statements to the municipal, state or federal authorities shall have been equal to at least twice the interest charges for the same period on the corporation's total outstanding funded debt.

(5) Such bonds, plus the total amount of any underlying bonds, shall be outstanding in an amount not exceeding sixty per cent of the actual value of the fixed property securing such bonds, as shown by the books of the corporation.

(6) Such bonds shall be (a) a closed underlying mortgage bond secured by property owned and operated by the corporation issuing or assuming such bond; provided, that such bond is to be refunded by a junior mortgage providing for the retirement of such bond, and that such underlying mortgage may remain open solely for the purpose of issuing additional bonds to be pledged under such junior mortgage or for refunding at par prior lien bonds; or

(b) a first mortgage bond constituting the only mortgage debt of such corporation. If such mortgage is not closed, it shall by its terms provide for the issuance of additional bonds for extensions, improvements and property acquisitions, only as follows: (1) for an amount not exceeding seventy-five per cent of the actual cost of such extensions, improvements and property acquisitions, when net earnings, available for interest charges, for twelve months out of the fifteen months preceding the application to the trustee under such mortgage for authentication of such additional bonds have been equal to at least one and three quarters times the interest charges for one year on the total amount of bonds outstanding under such mortgage and the proposed additional bonds, or (2) for an amount not exceeding eighty per cent of the actual cost of such extensions, improvements and property acquisitions, when net earnings, available for interest charges, for twelve months out of the fifteen months preceding the application to the trustee under such mortgage for authentication of such additional bonds have been equal to at least twice the interest charges for one year on the total amount of bonds outstanding under such mortgage and the proposed additional bonds; or

(c) a refunding mortgage bond providing for the retirement of all prior lien or divisional mortgage bonds of such corporation outstanding at the time of making the investment, such bond being secured by a lien on property owned and operated by such corporation; provided, that any mortgage prior in lien to such refunding mortgage shall be closed unless such prior mortgage remains open solely for the purpose of issuing additional bonds to be pledged under such refunding mortgage; and provided, further, that if a mortgage junior in lien to such refunding mortgage bond exists, such refunding mortgage bond shall by its terms be refunded by such junior mortgage; and provided, further, that in case such refunding mortgage is not closed it shall by its terms provide for the issue of additional bonds for extensions, improvements and property acquisitions by said corporation in accordance with the provisions of subdivision (1) or (2) of paragraph (b) hereof, and shall further provide that the net earnings available for interest charges as therein stated shall respectively equal at least one and three quarters times or at least twice the interest charges for one year on the total amount of bonds outstanding under such mortgage, of bonds secured by equal or prior liens, and of the proposed additional bonds.

(7) In this clause, unless the context otherwise requires, "funded debt" shall be construed to mean all interest-bearing debt maturing more than one year from its date of issue, but excluding bonds of the company held simply as collateral to secure other of its outstanding obligations, and "net earnings" shall be construed to mean the amount available for interest charges after deduction has been made for all operating expenses, including current maintenance, all taxes except income taxes, and all rentals and guaranteed interest, or dividends.

(8) If, during any of the periods mentioned in this clause, such corporation has been consolidated by purchase or otherwise, the aggregate operating figures of the corporations so consolidated, exclusive of inter-company charges, shall be sufficient for the purpose of this clause.

(9) Not more than fifteen per cent of the deposits of any such bank shall be invested in bonds under this clause, nor shall more than two per cent of such deposits be invested in the bonds of any such corporation.

1926, 351, § 1.

1931, 345, §§ 1, 2, 3, 4.

*Bank Stocks and Deposits in Banks.**

Seventh. In the stock of a trust company incorporated under the laws of and doing business within this commonwealth, or in the stock of a national banking association located in the New England States and incorporated under the authority of the United States, which has paid dividends of not less than four per cent thereon in cash in each of the five years next preceding the date of such investment and the amount of whose surplus is at least equal to fifty per cent of

* Section 2, Chapter 315, Acts of 1929.

Investments by a savings bank or by a trust company in its savings department in the stock of any one trust company or national banking association made prior to the fifth day of July, nineteen hundred and twenty-eight, amounting in aggregate par value to not exceeding one hundred thousand dollars, if otherwise valid, are hereby validated. This act shall not invalidate any investment in the stock of such a company or association legally made prior to the effective date hereof.

its capital; but a savings bank shall not hold, both by way of investment and as security for loans, more than twenty-five per cent of the stock of any one such company or association nor shall it hold by way of investment stock of such companies and associations having an aggregate initial cost in excess of fifteen per cent of the deposits of such savings bank, or stock of any one such company or association having an initial cost in excess of one per cent of the deposits aforesaid, except that in the event of the consolidation or merger of such companies or associations or of one or more such companies with one or more such associations the amount of stock of the consolidated or absorbing company or association which may be held under authority hereof may be in excess of one per cent but not in excess of two per cent of the deposits aforesaid, provided the stock so held is acquired in exchange for stock of the consolidating or merging companies or associations which is owned by such savings bank at the time of consolidation or merger.

Such corporation may deposit not more than two and one half per cent of its deposits in any banking association incorporated under the authority of the United States and located in this commonwealth, and in any trust company incorporated in this commonwealth; but such deposit shall not in any case exceed five hundred thousand dollars, if made by any such corporation having deposits of fifty million dollars or less, or one million five hundred thousand dollars, if made by any other such corporation, nor shall such deposit if made by any such corporation exceed in any case twenty-five per cent of the capital stock and surplus fund of such association or trust company.

1834, 190, § 7.	1864, 2.	1882, 224.	R. L. 113, § 26, cl. 5.
R. S. 36, § 78.	1868, 227.	1883, 202.	1908, 590, § 68, cl. 7.
1855, 294.	1876, 203, § 9, cl. 4.	1886, 95.	151 Mass. 103.
G. S. 57, §§ 142-144.	1881, 214, § 3.	1890, 168.	1929, 315, § 1.
1863, 175, §§ 2, 3; 234.	P. S. 116, § 20, cl. 4.	1894, 317, § 21, cl. 5.	1930, 140.
			1932, 220.

Bankers' Acceptances.

Eighth. In bankers' acceptances and bills of exchange of the kinds and maturities made eligible by law for re-discount with federal reserve banks, provided that the same are accepted by a bank, banking association or trust company incorporated under the laws of the United States or of this commonwealth, and having its principal place of business within the commonwealth. Not more than ten per cent of the deposits and of the income derived therefrom shall be invested by any savings bank in bankers' acceptances or bills of exchange, nor shall any savings bank invest in the acceptances and bills of exchange eligible by law for re-discount with federal reserve banks of any one accepting bank or trust company to an amount in excess of five per cent of its deposits and of the income derived therefrom. The aggregate amount of bankers' acceptances and bills of exchange of any bank, banking association or trust company held by any savings bank shall not exceed twenty-five per cent of the paid up capital and surplus of such bank, banking association or trust company.

1918, 210.

Loans on Personal Security. †

Ninth. In loans of the classes hereinafter described, payable and to be paid or renewed at a time not exceeding one year from the date thereof; but not more than one third of the deposits and income shall so be invested, nor shall the total liabilities to such corporation of a person, partnership, association or corporation for money borrowed upon personal security, including in the liabilities of a partnership or company not incorporated the liabilities of the several members thereof, exceed five per cent of such deposits and income; but said limitations, except as to time in which said loans shall be paid or renewed, shall not apply to loans made under paragraph (2) subdivision (e) of this clause.

1834, 190, § 8.	1876, 203, § 9, cl. 5.	1886, 69.	1908, 590, § 68, cl. 8, § 69.
R. S. 36, § 79.	P. S. 116, § 20, cl. 6.	1894, 317, § 21, cl. 7.	1909, 491, § 8.
G. S. 57, § 145.	1884, 56; 168.	R. L. 113, § 26, cl. 7.	

† Chapter 102, Acts of 1927.

Savings banks and savings departments of trust companies may invest deposits and the income derived therefrom in loans upon notes secured by adjusted service certificates as provided under an act of congress passed May nineteenth, nineteen hundred and twenty-four, entitled, "An Act to provide Adjusted Compensation for Veterans of the World War, and for Other Purposes," and any amendments thereof.

Note of Three Citizens.

(a) A note which is the joint and several obligation of three or more responsible citizens of this commonwealth: provided, that the total liabilities to such corporation of a person, partnership or association for money borrowed under this subdivision, including in the liabilities of a partnership or company not incorporated the liabilities of the several members thereof, shall not exceed one per cent of the deposits of such corporation.

1908, 590, § 68, cl. 8 (a).

Corporation Note.

(b) A note, with one or more substantial sureties or endorsers: (1) of a corporation incorporated in this commonwealth; or (2) of a manufacturing corporation with a commission house as surety or endorser, provided that such commission house is incorporated in this commonwealth, or has an established place of business and a partner resident therein; or (3) of an association or corporation at least one half of the real and personal property of which is located within the New England states, if at least one such surety or endorser is a citizen of or corporation incorporated in this commonwealth; provided, that no such loan shall be made or renewed unless within eighteen months preceding the making or renewing of such loan an examination of the affairs, assets and liabilities of the borrowing corporation or association has been made, at the expense of such borrowing corporation or association, by an accountant approved by the commissioner. The report of such examination shall be made in such form as the commissioner may prescribe. A copy of the report certified to by the accountant shall be delivered by the borrowing corporation or association to the savings bank before such loan or a renewal thereof is made, and a copy so certified shall be delivered by the accountant to the commissioner within thirty days after the completion of said examination.

1908, 590, § 68, cl. 8 (b).

1909, 491, § 8.

1919, 350, §§ 45, 46.

Notes of Certain Public Service Companies.

(c) (1) A bond or note of a gas, electric light, telephone or street railway corporation incorporated or doing business in this commonwealth and subject to the control and supervision thereof: provided, that the net earnings of said corporation, after payment of all operating expenses, taxes and interest as reported to, and according to the requirements of, the proper authorities of the commonwealth, have been in each of the three fiscal years preceding the making or renewing of such loan equal to not less than four per cent on all its capital stock outstanding in each of said years; and provided, that the gross earnings of said corporation in the fiscal year preceding the making or renewing of such loan have been not less than one hundred thousand dollars.

A list of the companies whose securities prima facie comply with the requirements of this subdivision shall be furnished to the commissioner annually, at such time after June sixteenth in any year as he shall designate, by the proper authorities of the commonwealth having supervision over such companies.

1908, 590, § 68, cl. 8 (c).

1909, 491, § 8.

1922, 159, § 2.

1926, 351, § 2.

1933, 334, § 25.

Notes issued or guaranteed by Railroad Companies.

(d) A bond or note issued, assumed, or guaranteed by endorsement as to both principal and interest, by a railroad corporation which complies with all the requirements of subdivision (b) or of subdivision (e) preceding paragraph (5) of clause Third: provided, that the principal of such bond or note described in either this or the preceding subdivision is payable at a time not exceeding one year after the date of investment therein.

1908, 590, § 68, cl. 8 (d).

1909, 491, § 8.

Notes secured by Collateral.

(e) A note of a responsible borrower in such form as the commissioner may approve, with a pledge as collateral of—

(1) One or more first mortgages of real estate situated in this commonwealth; provided, that the amount of such note is not in excess of sixty per cent, or in the

case of unimproved or unproductive real estate in excess of forty per cent, of the value of the property or properties mortgaged; that the value of each of said properties has been certified in accordance with the provisions of clause First; and that the assignment of each of said mortgages has been recorded in the proper registry of deeds; or

(2) Bonds or notes authorized for investment by clause Second, Third, Fourth, Fifth, Sixth, Sixth A, or Seventeenth at no more than ninety per cent of the market value thereof, at any time while such note is held by such corporation; or

(3) Deposit books of depositors, or of one of two joint depositors under section fourteen of chapter one hundred and sixty-seven, in savings banks and in savings departments of trust companies incorporated in this commonwealth, up to the amount of said deposit accounts, and unpledged shares of co-operative banks so incorporated at not more than ninety per cent of their withdrawal value; or

(4) Shares of railroad corporations described in subdivision (a), (b), or (e) of clause Third at no more than eighty per cent of the market value thereof, at any time while such note is held by such corporation; or

(5) Such other bonds, notes or shares of corporations or associations at no more than eighty per cent of the market value thereof, at any time while such note is held by such corporation; provided, that, if the commissioner shall disapprove any such bonds, notes or shares, he may make such written recommendations to the board of investment of such corporation as the case may require, and may in his discretion include in his annual report a statement of the facts in each case in which such board of investment has not complied with his recommendations in a manner satisfactory to him; or

(6) Policies issued by life insurance companies approved by the commissioner and properly assigned to the bank, but not exceeding ninety per cent of the cash surrender value of such policies; but the aggregate of such loans made by any savings bank shall not exceed one per cent of its deposits.

1879, 57, § 1.	1899, 269.	1909, 491, § 8.
P. S. 116, § 20, cl. 5.	R. L. 113, § 26, cls. 2 (e), 3 (k, l, m), 4 (e).	1910, 358.
1887, 196.	1904, 210.	1919, 350, §§ 45, 46.
1888, 213.	1905, 250.	1922, 159, § 3.
1894, 317, § 21, cl. 6.	1906, 463, III, §§ 150, 158.	1924, 68.
1896, 178.	1908, 590, § 68, cl. 8 (e), § 69.	245 Mass. 75, 448.
		1933, 334, § 26.

"Association" defined.

(f) Whenever used in this clause, the word "association" means an association the business of which is conducted or transacted by trustees under a written instrument or declaration of trust.

1908, 590, § 68, cl. 8 (f), § 69.

Farm Loan Bonds.

Tenth. In farm loan bonds lawfully issued by federal land banks incorporated under the act of congress approved July seventeen, nineteen hundred and sixteen, entitled "An act to provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create government depositories and financial agents for the United States, and for other purposes."

1918, 67.

Bank Building.

Eleventh. A sum not exceeding the guaranty fund and undivided earnings of such corporation, nor in any case exceeding five per cent of its deposits or two hundred thousand dollars, may, subject to the approval of the commissioner, be invested in the purchase of a suitable site and the erection or preparation of a suitable building for the convenient transaction of its business. Extraordinary alterations in, or additions to, a bank building owned by a savings bank, involving an expense exceeding ten thousand dollars, shall not be made without the approval of the commissioner, and the cost of such alterations or additions shall not exceed the sum specified in this clause.

1870, 226.	1894, 317, § 21, cl. 8.	1910, 281.
1876, 203, § 9, cl. 6.	R. L. 113, § 26, cl. 8.	149 Mass. 1.
P. S. 116, § 20, cl. 7.	1908, 590, § 68, cl. 9,	151 Mass. 103.
1893, 174.	§ 69.	1 Op. A. G. 420.
		1919, 350, §§ 45, 46.

Real Estate acquired by Foreclosure.

Twelfth. Such corporation may hold real estate acquired by the foreclosure of a mortgage owned by it, or by purchase at sales made under the provisions of such mortgages or upon judgments for debts due to it, or in settlements affected to secure such debts. Such corporation shall sell all such real estate within five years after the title thereof is vested in it, and notwithstanding the provisions of clause First may take a mortgage thereon from bona fide purchaser to secure the whole or a part of the purchase price; but the commissioner may, on petition of the board of investment of such corporation, and for cause, grant an additional time for the sale of the same or of the securities mentioned in the following clause.

1870, 226.	1882, 200.	1894, 317, § 21, cl. 9.	1908, 590, § 68, cl. 10, § 69.
1876, 203, § 26.	1883, 52; 248.	1898, 148.	149 Mass. 4.
P. S. 116, § 20, cl. 8.	1886, 77.	R. L. 113, § 26, cl. 9.	1919, 350, §§ 45, 46.

Securities acquired in Settlement of Indebtedness.

Thirteenth. Such corporation may hold stocks, bonds, notes or other securities acquired in settlements effected to secure loans or indebtedness; but unless the time during which such securities may be held is extended as provided in the preceding clause, they shall be sold within five years after being acquired.

1898, 148.	R. L. 113, § 26, cl. 10.	1908, 590, § 68, cl. 11.
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Pledges of Securities as Collateral to remain Valid.

Fourteenth. The provisions of this chapter shall not invalidate or impair the title of a corporation to securities which have been or may be held by it in pledge or as security for a loan or indebtedness; and the same shall be held for the purposes for which they were pledged.

1876, 203, § 30.	P. S. 116, § 20, cl. 9.	R. L. 113, § 26, cl. 11.
1878, 94, § 1.	1894, 317, § 21, cl. 10.	1908, 590, § 68, cl. 12, § 69.

List of Bonds to be prepared.

Fifteenth. Annually, not later than July first, the commissioner shall prepare a list of all the bonds and notes which are then legal investments under the provisions of clause Third, Fourth, Fifth, Sixth A or Seventeenth. Said list shall at all times be open to public inspection and a copy thereof shall be sent to every savings bank. In the preparation of any list which the commissioner is required to furnish, he may employ such expert assistance as he deems proper or may rely upon information contained in publications which he deems authoritative in reference to such matters; and he shall be in no way held responsible for the omission from such list of the name of any state, municipality or corporation the bonds or notes of which conform to the provisions of this section, or of any bonds or notes which so conform, nor shall he be held responsible for the inclusion in such list of any such names or bonds or notes which do not so conform.

1902, 483, § 3.	1908, 590, § 68, cl. 13, § 69.	1926, 351, § 3.
1906, 463, III, §§ 149, 158.	1919, 350, §§ 45, 46.	1928, 27.

Bonds not to become Illegal by Reason of Temporary Failure to meet Legal Requirements.

Sixteenth. Bonds which at any time have been for ten successive years legal investments under the provisions of subdivision (a), (b), (c) or (d) of clause Third or clause Fifth of this section shall not be rendered illegal although the corporation issuing, assuming or guaranteeing such bonds shall fail for a period not exceeding two successive years to comply as to dividends on its capital stock, with the requirements of the clauses specified above; but no further investment in the bonds issued, assumed or guaranteed by such corporation shall be made during said period. If after the expiration of said period, such corporation complies for the following fiscal year with the requirements of the clauses specified above, it shall be regarded as having complied therewith during said period; provided, that it shall not have so failed to comply during any other period within the next preceding ten years.

1913, 291.	1915, 273, § 2.
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Certain Investments previously authorized.

Seventeenth. This section shall not render illegal the investment in any mortgages of real estate held by such corporation on June eighth, nineteen hundred

and eight, nor the investment before or after said date in any issue of bonds or notes dated before said date in which such corporation might then invest, so long as such bonds or notes continue to comply with the laws then in force.

1908, 590, § 68, cl. 4.

AN ACT TO MODIFY THE REQUIREMENTS FOR THE LEGALITY OF CERTAIN RAILROAD BONDS FOR INVESTMENT FOR SAVINGS BANKS, INSTITUTIONS FOR SAVINGS AND TRUST COMPANIES IN THEIR SAVINGS DEPARTMENTS.

Chapter 111, Acts of 1933.

Wherever in clauses third and sixteenth of section fifty-four of chapter one hundred and sixty-eight of the General Laws a number of fiscal years is mentioned, the fiscal years beginning in the years nineteen hundred and thirty-one and nineteen hundred and thirty-two shall be excluded from the count if the inclusion of such years or either of them would render the security of any railroad ineligible for investment, and all railroad securities which were eligible for investment by savings banks on January first, nineteen hundred and thirty-one, or have become eligible for such investment since that date or shall hereafter, prior to April first, nineteen hundred and thirty-four, become eligible for such investment, shall continue to be eligible for such investment until April first, nineteen hundred and thirty-four; provided, however, that the securities of a railroad company which has defaulted during the year nineteen hundred and thirty-one or which shall have defaulted prior to April first, nineteen hundred and thirty-four, in the payment of matured principal or interest or any of its mortgage or funded indebtedness shall not be eligible for such investment.

1933, 111.

REFERENCE

Savings departments of foreign banking associations or corporations, Chap. 167, §§ 41-45.

Liquidation, Consolidation or Merger of Savings Banks.

SECTION 55. Any savings bank may, if authorized by vote of at least two thirds of its corporators at a meeting specially called to consider the subject, be dissolved and liquidate its affairs in the manner hereinafter set forth; provided, that the commissioner is satisfied that such savings bank has given at least thirty days' notice to each other savings bank, located within twenty-five miles, of its willingness to enter into negotiations with a view to consolidation or merger and that no consolidation or merger with any such other savings bank can be arranged upon terms satisfactory to the commissioner; and provided, further, that, prior to such vote, the commissioner shall have approved in writing the proposed liquidation of such savings bank as being in the interest of its depositors. In such case a committee of three shall thereupon be elected by and from the trustees and, under such regulations as may be prescribed by the commissioner, shall liquidate the assets, and after satisfying all debts of the liquidating savings bank shall distribute the remaining proceeds among its depositors, as of the date of the vote of liquidation, and other persons entitled thereto, according to their several interests. The charter of a savings bank shall upon such a vote to liquidate become void except for the purpose of discharging its existing obligations and liabilities.

Funds representing unclaimed dividends in liquidation and remaining in the hands of the liquidating committee for six months after the date of the final payment in liquidation shall be deposited by them, together with all books and papers of the savings bank, with the commissioner. Such funds shall be deposited in one or more trust companies or national banks to the credit of the commissioner in his official capacity, in trust for the depositors of the savings bank and other persons entitled thereto, according to their several interests. Upon receipt of evidence satisfactory to him, the commissioner may pay over the moneys so held by him to the persons respectively entitled thereto. In case of doubt or of conflicting claims, he may require an order of the supreme judicial court authorizing and directing the payment thereof. He may apply the interest earned by the money so held to the defraying of expenses incurred in the payment of such unclaimed dividends. At the expiration of twelve months from the date of receipt of such funds by the commissioner, such portion thereof as still remains in his

possession shall be disposed of as provided in section thirty-five of chapter one hundred and sixty-seven.

If, however, the commissioner is satisfied that a consolidation or merger of the savings bank proposing liquidation with another savings bank located within twenty-five miles can be effected on terms approved by him and if he finds that such consolidation or merger is in the interest of the depositors of the savings banks concerned, such consolidation or merger may be effected upon such terms and subject to the direction of the commissioner, provided that a vote authorizing the same is passed by at least two thirds of the corporators of each of the savings banks aforesaid at meetings specially called to consider the subject.

The office or offices of any savings bank merged with another may, with the permission of and under regulations approved by the commissioner, be maintained as a branch office or branch offices of the continuing bank.

1930, 329, § 1.

1933, 334, § 27.

Authority to purchase, loan upon or participate in Loans upon the Assets of Certain Closed and Other Banks.

SECTION 56. With the approval of the commissioner, a savings bank may advance or loan upon, or purchase, the whole or any part of the assets of any other savings bank, or of the savings department of any trust company, including savings banks and trust companies now or hereafter in possession of the commissioner under sections twenty-two to thirty-six, inclusive, of chapter one hundred and sixty-seven, and may participate in such an advance, loan or purchase with one or more other savings banks or trust companies. The savings bank making or participating in such an advance, loan or purchase, for the purpose of effecting the same, may assume and agree to pay the whole or any part of the deposit and other liabilities of such other savings bank or savings department. In the event of such approval by the commissioner, other provisions of law applicable to the investment of funds of savings banks and to the limitations upon deposits therein shall not apply. The commissioner may impose such conditions and restrictions as he may deem necessary or advisable in respect to the deposit or other liabilities assumed as hereinbefore provided, and in the case of any new savings bank formed for the purpose of purchasing any or all of the assets and assuming any or all of the liabilities of any savings bank or savings department of a trust company now or hereafter in his possession under said sections he may impose such other and further conditions and restrictions concerning the business, investments and operation of such new savings bank as he may deem necessary or advisable. So much of section thirteen as provides that no person shall hold an office in two savings banks at the same time shall not prevent an officer or trustee of any other savings bank from serving as an officer or trustee of such new bank.

1933, 41, § 1.

May become a Member of Certain Associations.

SECTION 57. Any such corporation, by vote of its board of investment, and with the approval of the commissioner, may become a member of an association or associations organized for the purpose of protecting and promoting the interests of savings banks, and, subject to like approval, may pay to such association or associations its proportionate share of the expenses thereof, if in the opinion of the board of investment of such corporation such expenses are reasonable and necessary.

1933, 334, § 28.

AN ACT

CREATING THE

MUTUAL SAVINGS CENTRAL FUND, INC.

Chapter 44, Acts of 1932.

SECT.

1. Name, membership, purpose.
2. Officers, election, by-laws.
3. First meetings.
4. Assessments, deposits, surplus, dividends.
5. Failure to deposit by member banks.

SECT.

6. Corporation may borrow.
7. Loans and investments.
8. Semi-annual report.
9. Taxation, exemption from.

SECTION 1. All the savings banks established under the laws of the commonwealth and subject to the provisions of chapter one hundred and sixty-eight of the General Laws, hereinafter referred to as member banks, are hereby constituted a corporation for the term of five years, under the name of the Mutual Savings Central Fund, Inc., hereinafter referred to as the corporation. It shall be the purpose of the corporation to assist such member banks, when they are temporarily in need of cash or hold investments which cannot readily be liquidated, by making loans to them or any of them secured by the pledge of mortgages or other securities legally held by such member banks. Any savings bank hereafter established during said term under the authority of said chapter one hundred and sixty-eight shall upon its organization become a member bank.

SECTION 2. The officers of the corporation shall be a president, one or more vice presidents, a treasurer, a clerk and a board of fifteen directors, each of which directors shall first have qualified as a corporator or officer of a member bank. The president and vice presidents shall be elected by and from the directors and the treasurer and the clerk shall be elected by the directors. The directors shall be elected by the member banks of and by counties or districts as follows:—two from the county of Essex; two from the county of Middlesex; five from the county of Suffolk; two from a district composed of the counties of Barnstable, Bristol, Dukes county, Nantucket, Norfolk and Plymouth; two from the county of Worcester; one from the county of Hampden and one from a district composed of the counties of Berkshire, Franklin and Hampshire. The first meetings to elect directors shall be held by the member banks of each of said counties or districts upon call as provided in section three. Subsequent meetings shall be held as provided in the by-laws adopted as hereinafter provided. At all meetings each member bank shall be represented by such person as its board of investment shall designate, and each member bank shall have one vote for each ten million dollars or fraction thereof of regular deposits as shown by its latest annual report to the commissioner of banks, hereinafter referred to as the commissioner. At the first election held hereunder the directors shall be elected to serve until the first annual county and district meetings as fixed by said by-laws. At the first annual meetings held under such by-laws, in each county or district entitled to one director, such director shall be elected for a two year term, in each district or county entitled to two directors, one shall be elected for a one year term and one for a two year term, and thereafter each director shall be elected for a two year term. In the county of Suffolk, at the first annual meeting held under such by-laws, two directors shall be elected for one year terms and three for two year terms, and thereafter each director shall be elected for a two year term. The directors may adopt by-laws for the conduct of the business of the corporation and by such by-laws may provide for and fix the time and place of all meetings of the corporation and of the directors, define the duties of the officers, establish an executive committee of not less than five nor more than seven directors with such powers as the board of directors shall determine, and may provide for such other officers and committees as they deem advisable. The directors may fill vacancies in the board until the next elections. The board of directors shall have full control of the business of the corporation.

SECTION 3. Forthwith upon the passage of this act, the commissioner shall, by seven days' notice in writing to each of the member banks, call for each county or district a meeting of the member banks thereof, at a place therein, to be desig-

nated by him, for the purpose of electing the first board of directors hereunder. Forthwith upon the election of the first board of directors, the commissioner shall, by three days' notice in writing, call the first meeting of the board of directors at a place to be designated by him.

SECTION 4. The directors may, by assessments made from time to time upon the member banks in the same proportion for each, require each member bank to deposit in cash with the corporation a total of not more than three per cent of its deposits, exclusive of its club deposits, as shown by its latest annual report to the commissioner. Of such total authorized to be required at least five per cent shall be called for at the first meeting, of the board of directors. Such deposits shall not be subject to withdrawal except with the approval of the directors and then only if all member banks are permitted as hereinafter provided to make withdrawals in the same proportion as the amounts of their required quotas of deposits hereunder; provided, that, in case a member bank should be in liquidation, then an amount equal to said bank's deposit may be withdrawn without any payment to any other member bank. Certificates of deposit signed by the treasurer of the corporation shall be issued for such deposits. Such certificates shall not be negotiable or subject to assignment or attachment. The corporation shall receive deposits only from member banks and only under the foregoing provisions, except that in case of emergency a member bank may with the approval of its board of investment make, and the corporation may accept, temporary advances of funds to the corporation without collateral, pending the making and collecting of an assessment under the foregoing provisions; and such temporary advances may be repaid notwithstanding the foregoing provisions relative to withdrawals of deposits. The directors, with the consent of the commissioner, may at any time in their discretion return pro rata to all member banks such portion of their deposits as the board deems no longer necessary for the purposes of the corporation. The directors may, however, thereafter if necessary, make further assessments under this section. Such corporation may accumulate a surplus not exceeding fifteen per cent of the deposits from member banks held by it; and if, at any quarterly or semi-annual meeting of the directors, the surplus account exceeds fifteen per cent of such deposits, the amount of such excess shall be paid over to the member banks in the form of dividends. After paying or making proper provision for the expenses and contingencies of conducting its business it may by vote of the directors declare and pay quarterly or semi-annually to the member banks dividends upon their deposits at such rate and computed in such manner as the directors shall determine.

SECTION 5. Member banks shall pay over to the corporation the deposits required of and assessed upon them under the preceding section within ten days after receiving notice in writing of such assessment from the treasurer of the corporation. If any member bank shall fail to make such payment within ten days after notice as aforesaid, the treasurer of the corporation shall notify the commissioner of such failure and the commissioner shall forthwith notify such member bank in writing. The failure of such member bank to make such payment within thirty days after such notice from the commissioner shall constitute a violation of the law of the commonwealth within the meaning of section five of chapter one hundred and sixty-seven of the General Laws and such member bank may be proceeded against as provided in said section. Member banks may, with the approval of the directors, make the deposits assessed upon them in securities which are legal investments for the corporation at their market value on the day of delivery.

SECTION 6. The corporation may by a vote of the directors borrow money and pledge its assets as security therefor.

SECTION 7. The funds of the corporation may be invested only in

(a) Bankers' acceptances and bills of exchange of the kinds and maturities made eligible by law for rediscount with federal reserve banks, provided that the same are accepted by a bank, banking association or trust company incorporated under the laws of the United States or of this commonwealth, and having its principal place of business within the commonwealth;

(b) Obligations of the United States;

(c) Obligations of the commonwealth;

AN ACT PROVIDING FOR THE ESTABLISHMENT OF A FUND FOR
THE INSURANCE OF DEPOSITS IN CERTAIN SAVINGS BANKS.

Whereas, The deferred operation of this act would tend to defeat its purpose as a temporary measure to promote financial recovery, therefore it is hereby declared to be an emergency law, necessary for the immediate preservation of the public convenience.

Be it enacted, etc., as follows:

SECTION 1. The Mutual Savings Central Fund, Inc., established by chapter forty-four of the acts of nineteen hundred and thirty-two, hereinafter referred to as the corporation, shall in the manner herein provided establish a fund for the insurance of deposits in all savings banks established under the laws of the commonwealth, and certified by the commissioner of banks, hereinafter referred to as the commissioner, under rules and regulations adopted by the directors of the corporation and approved by the commissioner, to be in a sound and safe condition to transact and to continue to transact the business for which they are organized, hereinafter referred to as member banks. For such purpose the directors may, by assessments made from time to time upon the member banks in the same proportion for each, require each member bank to pay over in cash to the corporation a total of not more than one per cent of the deposits of such member bank, exclusive of its club deposits, as shown by its last annual report to the commissioner, such assessments to be in addition to all other payments to the corporation required under said chapter forty-four. An assessment under this section of one quarter of one per cent of such deposits shall be made within ten days after the effective date of this act. Other assessments not exceeding such authorized total shall be made from time to time thereafter at the direction of the commissioner. The provisions of section five of said chapter forty-four shall apply to the assessments authorized by this section. Such assessments shall be held as a fund, to be known as the Deposit Insurance Fund. Said fund shall be invested separately from the other funds of the corporation and shall not be liable for the obligations of the corporation other than those created by or under this act. Assets of the corporation not held in the Deposit Insurance Fund shall not be liable for any obligations created hereby or hereunder. The cost of administering the Deposit Insurance Fund as determined by the directors shall be paid therefrom.

SECTION 2. All assessments paid into the Deposit Insurance Fund by a member bank under section one may be

carried by it as an asset to the extent authorized by the commissioner.

SECTION 3. The corporation may pay dividends to member banks upon the amounts paid in by them to the Deposit Insurance Fund or upon the unexpended portion thereof at such rate and at such times as the directors of the corporation may determine. Said fund may be invested by the corporation only as provided in subsections *a*, *b*, *c* and *e* of section seven of said chapter forty-four. The corporation may by vote of its directors borrow money for the purposes of the Deposit Insurance Fund and pledge any assets in which such fund is invested as security for such loans. In case of the liquidation of any member bank under section fifty-five of chapter one hundred and sixty-eight of the General Laws, the corporation shall return the unexpended portion, as determined by its directors, of all assessments paid by such bank into said fund; provided, that the directors are satisfied that such bank has paid or will be able to pay its depositors in full. In case of the merger or consolidation of two or more member banks under said section fifty-five, the unexpended portion as aforesaid of the assessments paid by such banks into said fund shall be readjusted on the basis of the assessment liability of the continuing bank and the excess, if any, shall be repaid to it.

SECTION 4. Whenever it shall appear to the commissioner that any member bank is in an unsound or unsafe condition to transact the business for which it is organized, or that it is unsafe and inexpedient for it to continue to transact such business, he may so certify to the corporation, and upon receipt of such certificate the corporation shall, by notice in writing to the commissioner and to the bank, take possession and control forthwith of the property and business of such bank and shall operate such bank, subject to such rules and regulations as the commissioner may prescribe, until the bank shall resume business or until its affairs shall finally be liquidated. The corporation may, while thus carrying on such business, pay to such bank out of the Deposit Insurance Fund such sums as the corporation's directors deem necessary for the protection of the bank's depositors, and may order the same to be repaid when no longer required for that purpose, or may purchase assets from said bank to effect the purposes of this act on such terms and conditions and at such valuations as the directors, with the approval of the commissioner, may determine.

SECTION 5. At any time after the corporation has taken over the control, possession and operation of any member bank as provided in section four, it may with the approval of the commissioner turn back the control, possession and operation thereof to such member bank which may resume business free from any control by the corporation acquired under section four, subject to such conditions as the commissioner may approve. The corporation shall not thus turn

back the control, possession and operation of any bank until there has been repaid into the Deposit Insurance Fund all sums paid out by the corporation from such fund to such bank or its depositors or until it has received security for such repayment satisfactory to the directors.

SECTION 6. The corporation, with the approval of the commissioner, may, and at the request of the commissioner shall, at any time after it has taken over the control, possession and operation of any member bank under section four, discontinue the business of such bank and proceed to liquidate its affairs. The corporation shall in such event pay to the depositors of such bank the full amount of their deposits at the date of the discontinuance of the business of the bank with interest from the last dividend date to the date of discontinuance at such rate not exceeding three per cent per annum as the directors shall determine, such payments to be made within three years from such discontinuance and at such times and in such instalments as the directors with the approval of the commissioner shall determine. For such purpose the corporation shall use, in addition to the assets of the bank, such sums as may be required from the Deposit Insurance Fund. In case of liquidation the corporation shall be subject to such orders, rules and regulations as may be prescribed from time to time by the commissioner. The corporation shall collect all debts due and claims belonging to such bank and with the approval of the commissioner may sell or compound all bad or doubtful debts and with like approval may sell all or any part of the real or personal property of the bank on such terms as the commissioner may approve. To execute and perform the powers and duties conferred upon the corporation, it may in the name of any such bank prosecute and defend all suits and other legal proceedings and may in the name of the bank execute, acknowledge and deliver all deeds, assignments, leases and other instruments necessary and proper to effectuate any sale of real or personal property or any compromise approved by the commissioner and any deed or other instrument executed pursuant to the authority hereby given shall be valid and effectual for all purposes to the same extent as though executed by the officers of the bank by authority of its board of trustees. The compensation of employees, counsel, and other assistants, and all expenses incurred in connection with the liquidation of any such bank shall be fixed, subject to the approval of the commissioner, by the directors. The officers of the corporation and any other persons employed by the directors to liquidate the affairs of any member bank under this section shall give bond to the directors for the faithful performance of their duties in relation to such liquidation in such amount and with such surety or sureties as the commissioner may approve. The persons appointed for the purpose of liquidating the affairs of any such bank shall be subject to all the penalties to which agents appointed by

the commissioner for the purpose of liquidating the affairs of a bank are now or may hereafter be subject. All accounts for which no claimant can be found after four years following the discontinuance of the business of any such bank shall, if no other provisions to care for said claim have been made, be turned over to the state treasurer and be held by him subject to be reclaimed as provided in section forty-three of chapter one hundred and sixty-eight of the General Laws.

SECTION 7. For the purpose of carrying out the provisions of this act the corporation may exercise all the powers, rights and franchises of any bank the control, possession and operation of which has been taken over by it under this act.

SECTION 8. So much of the deposits in member banks as are paid over to the corporation under the provisions of this act shall be exempt from taxation under section eleven of chapter sixty-three of the General Laws.

SECTION 9. The directors of the corporation may make such rules and regulations, subject to the approval of the commissioner, as they may deem necessary in order to carry out the provisions of this act, and for such purposes the commissioner may confer and advise with the directors and furnish them such information as they request.

SECTION 10. Upon the enactment of any legislation by the general court authorizing savings banks to join in any federal plan of guaranty of deposits the corporation may, at special county or district meetings held in accordance with section two of said chapter forty-four and called for this special purpose, by four fifths vote of all member banks, dissolve and liquidate the Deposit Insurance Fund prior to the termination of the life of the corporation. It may also in the same manner and by a similar vote dissolve and liquidate such fund prior to such termination whenever it shall determine that the fund is no longer needed for the protection of deposits in savings banks. Upon any such dissolution and liquidation and upon the termination of the life of the corporation, the corporation shall proceed to distribute the proceeds of the fund, after the payment of all expenses and obligations of the fund, to the member banks in proportion to the assessments paid by them thereinto.

SECTION 11. During such time as the Deposit Insurance Fund is insuring the deposits in any member bank under the provisions of this act, sections twenty-two to thirty-six, inclusive, of chapter one hundred and sixty-seven of the General Laws shall not, except as herein provided, apply to such member bank.

Approved February 21, 1934.

(d) Loans to member banks adequately secured by the pledge of mortgages or other securities legally held by such member banks; such loans to be in such amounts and subject to such conditions as the directors may determine;

(e) Deposits in national banks located in this commonwealth and in trust companies established under the laws thereof.

SECTION 8. The corporation shall make a report to each member bank of its condition and of the result of its operation as of the last business day of April and October in each year. The commissioner shall annually examine the affairs of the corporation and report his findings and recommendations to the directors. In making this examination he shall have the same powers as he has by law in the examination of savings banks.

SECTION 9. So much of the deposits in member banks as is deposited with the corporation shall be exempt from taxation under section eleven of chapter sixty-three of the General Laws.

1932, 44.

STATUTES

RELATING TO

CERTAIN MISCELLANEOUS CORPORATIONS

General Laws, Chapter 158.

Proceedings if Rent of Safe Deposit Boxes not paid.

SECTION 17. If the amount due for the rent or use of a box or safe in the vaults of a domestic corporation organized for the purpose of letting vaults, safes and other receptacles shall not have been paid for two years, such corporation may cause to be mailed, postpaid, to the person in whose name such safe or box stands upon the books of such corporation and at his address as stated on said books, a notice stating that if the amount then due for the use or rent of such safe or box shall not be paid within sixty days from the date of such notice such corporation will cause such safe or box to be opened in the presence of its president, treasurer or superintendent and of a notary public, and the contents thereof, if any, to be sealed up in a package and placed in one of the storage vaults of such corporation. If, upon the expiration of said sixty days from the date of such notice, such person shall have failed to pay the amount due for the use or rent of such safe or box in full to the date of such notice, all right of such person in such safe or box and of access thereto shall cease, and such corporation may in the presence of its president, treasurer or superintendent and of a notary public not an officer or in the general employ of such corporation, cause such safe or box to be opened, and such notary public shall remove the contents thereof, make a list of the same and shall seal up such contents in a package and shall mark thereon the name of the person in whose name such safe or box stood on the books of such corporation and his address as stated on said books, and such package shall in the presence of said notary public and of said president, treasurer or superintendent be placed in one of the storage vaults of such corporation; and the proceedings of such notary public, including said list of the contents of said safe or box and his estimate of the total value of said contents, shall be set forth by him in his own handwriting and under his official seal in a book to be kept by such corporation for the purpose. The officer of such corporation who sent said written notice shall in the same book state his proceedings relative thereto, setting forth a copy of said notice. Both of said statements shall be sworn to by such notary public and officer, respectively, before a justice of the peace, who shall make certificate thereof in said book; and said written statements shall be prima facie evidence of the facts therein set forth in all proceedings at law and in equity wherein evidence of such facts would be competent. This section shall not impair any right relative to such safes, boxes, or their contents which such corporation would otherwise have.

1887, 89.

R. L. 116, § 38.

AN ACT RELATIVE TO LOANS BY SAVINGS BANKS AND SAVINGS DEPARTMENTS OF TRUST COMPANIES SECURED BY ADJUSTED SERVICE CERTIFICATES.

Chapter 102, Acts of 1927.

Savings banks and savings departments of trust companies may invest deposits and the income derived therefrom in loans upon notes secured by adjusted service certificates as provided under an act of congress passed May nineteenth, nineteen hundred and twenty-four entitled, "An Act to provide Adjusted Compensation for Veterans of the World War, and for Other Purposes", and any amendments thereof.

1927, 102.

AN ACT AUTHORIZING SAVINGS BANKS AND SAVINGS DEPARTMENTS OF TRUST COMPANIES TO GRANT LOANS ON PROOFS OF CLAIM OF DEPOSITORS IN CLOSED SAVINGS BANKS AND SAVINGS DEPARTMENTS OF TRUST COMPANIES.

Chapter 217, Acts of 1932.

SECTION 1. Deposits in savings banks and in savings departments of trust companies and the income derived therefrom may be invested in loans to any depositor in a savings bank, or in the savings department of a trust company, in possession of the commissioner of banks under section twenty-two of chapter one hundred and sixty-seven of the General Laws, payable and to be paid or renewed at a time not exceeding one year from the date thereof, evidenced by a note of such depositor in such form as the said commissioner may approve, with a pledge as collateral of an assignment of the certificate of proof of claim for such deposit, at such percentage of said claim as the board of investment of the savings bank or the investment committee of the trust company making such loan may approve, but not in excess of fifty per cent of said claim. The aggregate of such loans made by any savings bank or savings department of a trust company under this act, and outstanding at any one time, shall not exceed two per cent of the deposits in such bank or department.

SECTION 2. This act shall become inoperative on January first, nineteen hundred and thirty-eight, except with respect to any loan granted under it prior to said date.

1932, 217.

STATUTES

RELATING TO

CRIMES AGAINST PROPERTY

General Laws, Chapter 266.

SECT.	SECT.
52. Fraud or embezzlement by bank officer or employee.	53A. Penalty for breach of trust.
53. Evidence in fraud or embezzlement by accomplice of officer or employee of bank, etc.	54. Penalty for receiving deposits by insolvent banks, etc.
	55. Embezzlement by receiver, etc.

Fraud or Embezzlement by Bank Officer or Employee.

SECTION 52. An officer, director, trustee, agent or employee of a bank, as defined in section one of chapter one hundred and sixty-seven, who fraudulently converts, or fraudulently takes and secretes with intent so to do any bullion, money, note, bill, or other security for money which belongs to and is in possession of such bank, or which belongs to any person and is deposited therein, shall, whether intrusted with the custody thereof or not, be guilty of larceny from said bank, and shall be punished by imprisonment in the state prison for not more than fifteen years, or by a fine of not more than two thousand dollars and imprisonment in jail for not more than two and one half years.

1783, 53, § 1.
1824, 51.
1828, 96, § 26.
R. S. 126, § 27.
1846, 171, § 1.

G. S. 161, § 39.
P. S. 203, § 41.
R. L. 208, § 44.
1911, 216, § 1.
1914, 635.

1918, 257, § 46A.
1919, 5.
1920, 2.
1922, 313, § 1.
8 Met. 247.

1 Allen, 575.
97 Mass. 50.
101 Mass. 204.
116 Mass. 1.
137 Mass. 98.
173 Mass. 541.

Evidence in Fraud or Embezzlement by Accomplice of Officer or Employee of Bank, etc.

SECTION 53. In prosecutions for such crimes, the fraudulent taking or receiving by any person of bullion, money, notes, bills or other security for money which belongs to such bank, by reason of an unlawful confederacy or agreement between him and an officer of said bank or any person in the employment thereof, with intent to defraud the same, shall be deemed to be a fraudulent taking by such officer or person in the employment of the bank to his own use, within the meaning of the preceding section; and it shall not be necessary, upon the trial, to identify the particular bullion, money, note, bill or security for money which is so taken or received. Upon the trial of the crime of embezzling, fraudulently converting or fraudulently taking and secreting, with intent so to embezzle or convert the bullion, money, notes, bank notes, checks, drafts, bills of exchange, obligations or other securities for money of any person, bank, corporation, partnership, county, city or town by a cashier or other officer, clerk, agent or servant of such person, bank, corporation, partnership, county, city or town, evidence may be given of any such embezzlement, fraudulent conversion or taking with such intent committed within six months after the time stated in the indictment.

1834, 186, § 2.
R. S. 133, § 10.
1845, 215.

1846, 171, §§ 2, 3.
G. S. 161, §§ 40, 42.

878, 186.
P. S. 203, §§ 42, 44.

R. L. 208, § 45.
118 Mass. 443.

Penalty for Breach of Trust.

SECTION 53A. An officer, director, trustee, agent or employee of a bank, as defined in section one of chapter one hundred and sixty-seven, who wilfully misapplies otherwise than as described in sections fifty-two or fifty-three, any of the moneys, funds, credits or other property of such bank; or who, without authority from the directors or trustees of such bank, executes or issues a certificate of deposit, order or bill of exchange, or makes an acceptance, purporting to be executed, issued or made by such bank; or who, without such authority, assigns any note, bond, draft, bill of exchange, mortgage, judgment, decree or other property of such bank; or who loans the funds or credit of such bank to any individual, corporation, joint stock company, trust, association or partnership known by him to be insolvent; or who knowingly receives or accepts for such bank any fictitious, valueless, inadequate or irresponsible obligation directly or as security or endorsement unless the consideration or security is otherwise sufficient, or unless it shall be necessary to prevent loss upon a debt previously contracted in good faith; or who certifies any check drawn upon such bank unless the drawer then has on deposit with the bank and entered to his credit on its books not less than the amount of money specified in the check; or who resorts to any fictitious or colorable loan, transfer or device to avoid any provision of law relating to such bank; or who knowingly makes or causes to be made any false entry in any book, report or statement of such bank; and any person who knowingly aids or abets any violation of this section shall be punished by a fine of not more than ten thousand dollars or by imprisonment in the state prison for not more than ten years, or in a jail or house of correction for not more than two and one half years, or by both such fine and imprisonment.

1922, 313, § 2.

257 Mass. 289.

Penalty for receiving Deposits by Insolvent Banks, etc.

SECTION 54. Any officer of any trust company, savings or co-operative bank or institution for savings, or any individual banker who receives or permits the receipt of, and any employee who receives, any deposit knowing that such company, bank, institution or banker is insolvent, shall be punished by imprisonment for not more than two and one half years or by a fine of not more than five thousand dollars, or both.

1914, 567; 635.

1915, 5.

1918, 257, § 464.

1920, 2.

Embezzlement by Receiver, etc.

SECTION 55. An agent appointed by the commissioner of banks for the purposes of liquidating the affairs of a bank, as defined in section one of chapter one hundred and sixty-seven, or a person employed by said commissioner under section twenty-six of said chapter, or a receiver or other officer appointed by a

court of record, who embezzles or fraudulently converts, or fraudulently takes and secretes with intent so to do, or wilfully misapplies, moneys, funds, credits or other property in his possession by virtue of his appointment or employment, shall be guilty of larceny and shall be punished by imprisonment in the state prison for not more than ten years, or by a fine of not more than one thousand dollars and imprisonment in a jail or house of correction for not more than two years.

1874, 79.

P. S. 203, § 45.

R. L. 208, § 46.

1922, 313, § 3.

STATUTES

RELATING TO

CORRUPT PRACTICES

General Laws, Chapter 55.

Political Contributions by Corporations, and soliciting or receiving such Contributions, forbidden.

SECTION 7. No corporation carrying on the business of a bank, trust, surety, indemnity, safe deposit, insurance, railroad, street railway, telegraph, telephone, gas, electric light, heat, power, canal, aqueduct, or water company, or any company having the right to take land by eminent domain or to exercise franchises in public ways, granted by the commonwealth or by any county, city or town, no trustee or trustees owning or holding the majority of the stock of such a corporation, no business corporation incorporated under the laws of or doing business in the commonwealth and no officer or agent acting in behalf of any corporation mentioned in this section, shall directly or indirectly give, pay, expend or contribute, or promise to give, pay, expend or contribute, any money or other valuable thing in order to aid, promote or prevent the nomination or election of any person to public office, or to aid, promote or antagonize the interests of any political party, or to influence or affect the vote on any question submitted to the voters. No person or persons, no political committee, and no person acting under the authority of a political committee, or in its behalf, shall solicit or receive from such corporation or such holders of stock any such gift, payment, expenditure, contribution or promise to give, pay, expend or contribute; except that such a corporation, or such trustee or trustees, may in good faith publish or circulate paid matter when, under a question submitted to the voters, the taking, purchasing or acquiring of any of the property, business or assets of the corporation is involved, provided that the name of the corporation appears therein in the nature of a signature, and that, if inserted as reading matter, such matter is preceded or followed by the word "Advertisement", in the manner required by section thirty-three.

1907, 576, § 22.

1907, 581, § 3.

1908, 483, § 1.

1911, 422.

1912, 229, § 1.

1913, 835, §§ 353, 356, 503.

Penalty, Chap. 56, § 58.

STATUTES

RELATING TO

VIOLATIONS OF ELECTION LAWS

General Laws, Chapter 56.

Penalty for Contributions by Corporations.

SECTION 58. Any corporation violating any provision of section seven of chapter fifty-five shall be punished by a fine of not more than ten thousand dollars, and any officer, director or agent of a corporation violating any provision thereof or authorizing such violation, or any person who violates or in any way knowingly aids or abets the violation of any provision thereof, shall be punished by a fine of not more than five thousand dollars or by imprisonment for not more than six months.

1907, 576, § 22.

1907, 581, § 4.

1908, 483, § 2.

1912, 229, § 2.

1913, 835, §§ 496, 499, 503.

STATUTES
RELATING TO
COMMITMENT AND CARE OF
INSANE, ETC.

General Laws, Chapter 123.

Disposition of Moneys represented by Certain Bank Books belonging to Former Patients of Certain State Hospitals.

SECTION 39C. Any bank book belonging to a patient who has been discharged or has escaped from any state hospital, which shall have been in the custody of the superintendent of such hospital and remained unclaimed for more than two years and represents a deposit in a savings bank or trust company within the commonwealth may be presented by the department to such bank accompanied by the written request of the department for payment to it of so much of such deposit as is equivalent to the amount due the commonwealth for the support of such patient, and such bank shall thereupon pay to the department the amount so requested.

1933, 256.

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COMMITMENT AND CARE OF INSANE, ETC.

Disposition of moneys represented by certain bank books belonging to former patients of certain state hospitals	SECTION 39c
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