

DIGEST OF STATE LAWS RELATING TO THE PURCHASE OF CORPORATE
STOCKS BY BANKS AND TRUST COMPANIES.

(Superseding X-6608)

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On page 456 of the Federal Reserve Bulletin for July, 1930, there was published a digest of State laws relating to the power of banks and trust companies to invest in or purchase stocks of other corporations, including stocks of other banks and trust companies, which was prepared by the Counsel's office of the Federal Reserve Board with the assistance of the Counsel to the various Federal reserve banks, and which showed the status of the State legislation dealing with this subject as of March 1, 1930. The following digest of the laws of the several states, which was also prepared by the office of the Board's Counsel with the assistance of the Counsel to the various Federal reserve banks, supersedes the digest published in the Federal Reserve Bulletin for July, 1930, and shows the status of the State legislation dealing with the purchase of or investment in corporate stocks by banks and trust companies as of August 1, 1932. The digest does not cover permission granted to banks and trust companies to invest in or purchase stock in municipal or other public corporations, Federal reserve banks, joint stock land banks, corporations engaged principally in foreign banking operations, safe deposit companies, or similar institutions affiliated in some respects with the business of banking.

SUMMARY OF LEGISLATION IN VARIOUS STATES

States Having Legislation Permitting Purchase of Corporate Stocks.

By Commercial Banks	:	By Trust Companies	:	By Savings Banks.
	:		:	
Alabama (1)	:	Alabama (1) (1a)	:	Arizona
Arizona	:	Arizona	:	Connecticut (3)
California (2)	:	Arkansas	:	Delaware (3)
Connecticut (3)	:	Colorado	:	Florida (4)
Delaware (3)	:	Connecticut (3)	:	Louisiana
Louisiana	:	Delaware (3)	:	Maine (5)
New Jersey	:	Florida (4)	:	Massachusetts (7)
North Carolina (3)	:	Georgia (13)	:	New Hampshire (3)
Pennsylvania	:	Kansas (1)	:	North Carolina (3)
South Carolina	:	Louisiana	:	Ohio (8)
Tennessee (11)	:	Maryland	:	Rhode Island (10)
Texas (1)	:	Massachusetts (6)	:	South Carolina
Utah	:	Missouri (3)	:	Tennessee (11)
Vermont (12)	:	Montana	:	Utah
Virginia	:	Nebraska (2a)	:	Vermont (12)
	:	New Hampshire (3)	:	Virginia
	:	New Jersey	:	
	:	New York (3)	:	
	:	Ohio (8)	:	
	:	Oklahoma (9)	:	
	:	Pennsylvania	:	
	:	South Carolina (3)	:	
	:	Tennessee (11)	:	
	:	Texas (1)	:	
	:	Utah	:	
	:	Vermont (12)	:	
	:	Virginia	:	
	:		:	
Total ...15 :		Total ... 27	:	Total ... 16

(1) Amount of stock in other banks limited.

(1a) Only trust companies doing a banking business included.

(2) Stock of only one trust company may be purchased.

(2a) Stock of another trust company and of certain other corporations may not be purchased.

(3) Limitation placed on amount of stock may be purchased.

(4) Apparent conflict in laws of this State. Other provisions prohibit purchase of corporate stocks.

(5) Limited amount may be invested in stocks of certain banks and other corporations.

States Having Legislation Permitting Purchase of Corporate Stocks (Continued)

- (6) Amount of stock in another trust company limited.
- (7) Investment and amount of investment limited to stocks of certain trust companies and national banks.
- (8) Purchase of bank or trust company stocks prohibited.
- (9) Purchase of bank or trust company stocks prohibited.
- (10) Stocks of banks and trust companies and certain steam railroads may be purchased. Similar authority is granted to savings departments of banks and trust companies.
- (11) Authorized to "deal in" stocks.
- (12) Stocks in certain banks only may be purchased.
- (13) Only trust companies "operating as investment bankers" included.

States Having Legislation Prohibiting Purchase of Corporate Stocks.

By Commercial Banks :	By Trust Companies :	By Savings Banks
Colorado :	California :	Florida (1)
Florida (1) :	Florida (1) :	Georgia
Georgia :	Idaho (2) :	Kansas
Idaho (2) :	Mississippi (2) :	Mississippi (2)
Kansas :	Nevada :	Montana
Mississippi (2) :	Oregon :	Nebraska
Montana :	South Dakota :	Nevada
Nebraska :	Washington :	North Dakota
Nevada :		Oklahoma
North Dakota :		South Dakota
Oklahoma :		Washington
Oregon :		Wisconsin (3)
South Dakota :		Wyoming
Washington :		
Wyoming :		
Total ... 15 :	Total ... 8 :	Total ... 13

- (1) Apparent conflict in laws of this State. Other provisions authorize savings banks and trust companies to purchase corporate stocks.
- (2) Specific prohibition is against purchase of bank stock.
- (3) Specific prohibition is against Mutual Savings Banks purchasing stocks.

States Having No Legislation Specifically Applicable to

Commercial Banks	:	Trust Companies	:	Savings Banks
	:		:	
Arkansas	:	Illinois	:	Alabama
Illinois	:	Iowa	:	Arkansas
Indiana	:	Indiana	:	California
Iowa	:	Kentucky	:	Colorado
Kentucky	:	Maine	:	Idaho
Maine	:	Michigan	:	Illinois
Maryland	:	Minnesota	:	Indiana
Massachusetts	:	New Mexico	:	Iowa
Michigan	:	North Carolina	:	Kentucky
Minnesota	:	North Dakota	:	Maryland
Missouri	:	Rhode Island	:	Michigan
New Hampshire	:	West Virginia	:	Minnesota
New Mexico	:	Wisconsin	:	Missouri
New York	:	Wyoming	:	New Jersey
Ohio	:		:	New Mexico
Rhode Island	:		:	New York
West Virginia	:		:	Oregon
Wisconsin	:		:	Pennsylvania (1)
	:		:	Texas
	:		:	West Virginia
Total ...18	:	Total ...14	:	Total ...20

- (1) Provision permitting commercial banks and trust companies to purchase corporate stocks has been considered not to apply to savings banks.

- 5 -

ALABAMA.

Banks and trust companies doing a banking business - Purchase of stocks permitted, but amount of stock in bank limited.

The laws of this State provide that banks and trust companies doing a banking business "may * * * buy and sell * * * bonds, stock, * * *." (Civil Code of Alabama, sec. 6365; Combined Banking Laws of Alabama, 1928, sec. 6365, p. 29). However, "No bank shall subscribe for or own exceeding ten per cent of the capital stock of any other bank, or invest or have invested an amount exceeding in the aggregate 25 per cent of its own paid in capital stock in the capital stock of any other bank or banks. Any bank acquiring capital stock in any other bank in the usual course of business in payment of an indebtedness owing to it, must sell such portion of said stock as is in excess of the amount which it is permitted to hold and own as herein provided within one year from the time the same is acquired." (Civil Code of Alabama, sec. 6355; Combined Banking Laws of Alabama, 1928, sec. 6355, p. 25.)

ARIZONA.

Purchase of corporate stocks permitted.

Under the laws of this state, "No bank, trust company or loan association, may purchase, own, hold, or sell or otherwise dispose of the shares of the capital stock of any other corporation, unless, such purchase shall be authorized by the executive committee or approved by the board of directors; and if the purchase is of stock in a bank the approval of said purchase must also be had from the superintendent."

(Revised Code, 1928, sec. 224).

The term "bank" as used above includes savings banks (Rev. Code of 1928, sec. 209); but, in another provision of the laws of this State which enumerates investments that may be made by savings banks, it is provided that "It shall be unlawful for any savings bank to invest or loan any of its capital or any of the money of its depositors, in the shares, stocks or bonds of any mine or mining company or oil company * * *." (Laws of 1929, ch. 32.)

ARKANSAS.

Banks - no specific statutory provisions.

There do not appear to be any statutes in this State specifically authorizing banks to purchase the kinds of corporate stocks covered by this digest. However, the laws provide that "no bank shall employ its moneys, directly or indirectly, in trade or commerce by buying and selling goods, chattels, wares and merchandise, nor be the purchaser or holder of its own capital stock, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall, within twelve months of its purchase, be sold or disposed of at private sale; after the expiration of said twelve months any such stock shall not be considered as part of the assets of any bank. Provided, that it may hold and sell all kinds of property that may come into its possession as collateral security for loans or any ordinary collection or debts, in the manner provided by law. Provided, further

- 7 -

that any goods or chattels coming into its possession as aforesaid shall be disposed of as soon as possible, and after twelve months from the date of acquirement shall cease to be reckoned as a part of its assets. " (C. & M. Dig., sec. 695; Banking Laws, 1931, sec. 28, p. 24.)

Trust Companies - Purchase of stocks permitted.

Trust companies are authorized "to buy and sell all kinds of * * * stocks, and other investment securities. " (Act of April 13, 1903, sec. 2, p. 228, as amended by Acts of 1923, Act 627, sec. 10; Banking Laws, 1931, sec. 163, (9), p. 131.)

CALIFORNIA.

Banks - General power to purchase corporate stocks denied.

The Bank Act of California provides that "No bank shall, except as otherwise provided in this act, purchase or invest its capital or surplus or money of its depositors, or any part of either, in the capital stock of any corporation unless the purchase or acquisition of such capital stock shall be necessary to prevent loss to the bank on an obligation owned or on a debt previously contracted in good faith. Any capital stock so purchased or acquired shall be sold by such bank within six months thereafter if it can be sold for the amount of the claim of such bank against it; and all capital stock thus purchased or acquired must be sold for the best price obtainable by said bank within three

years after such purchase or acquisition unless the superintendent of banks shall extend the time of its sale for a period not to exceed two years. (California Bank Act, 1931, sec. 37.)

Exception - Stock in one trust company.

However, with the previous written consent of the superintendent of banks, a commercial bank "may purchase or otherwise acquire and hold the whole or any part of the capital stock of not more than one trust company organized and existing under the laws of this state, and doing business in the same county in which the principal place of business of such bank is located; provided, however, that not more than an amount equal to twenty-five per centum of the capital and surplus of any such bank may be at any one time invested in the capital stock of such trust company or such other corporation." (California Bank Act, 1931, sec. 37).

Savings banks are authorized to make investments of their funds only in such stocks as are enumerated in the California Bank Act, and there is not included in this enumeration the kinds of corporate stocks contemplated by this digest. (California Bank Act, 1931, secs. 61, 62 and 145.)

Trust companies - Investment in corporate stocks prohibited.

Trust companies are not authorized to purchase corporate stocks of the kinds contemplated by this digest for the reason that investments of their funds are made subject to the provisions

governing the investment of funds by savings banks. In this connection, the California Bank Act provides that "every trust company shall invest its capital and surplus * * *, in accordance with the laws relative to the investment * * * of funds deposited with savings banks, * * *." (California Bank Act, 1931, sec. 105.)

COLORADO.

Banks may not purchase corporate stocks.

The laws of this State prohibit a bank from purchasing "the stock of any other corporation, except such as it may necessarily acquire in the protection or satisfaction of previously existing loans made in good faith." (Compiled Laws of Colorado, 1921, sec. 2683; Banking Law Pamphlet, 1928, sec. 33, p. 19.)

Savings banks are authorized to make certain investments, but corporate stocks of the kinds contemplated by this digest are not included in the classes of authorized investments. (Compiled Laws of Colorado, 1921, sec. 2685; Banking Law Pamphlet, 1928, sec. 35, p. 20.)

Trust Companies authorized to buy and sell stocks.

Trust companies "incorporated under the provisions of this act" are authorized "To purchase, invest in and sell stocks * * *". (Compiled Laws of Colorado, 1921, sec. 2765; Banking Law Pamphlet, 1928, sec. 128, p. 66.)

- 10 -

CONNECTICUT.

Purchase of corporate stocks permitted up to certain amount.

Banks and trust companies, under the laws of this State, "may purchase and hold corporate securities of any description, provided the total amount at the purchase price invested in corporate stocks shall at no time exceed ten per centum of its combined capital, surplus and undivided profits, and provided its investment in the stock of any one corporation shall exceed neither five per centum of the stock of that corporation nor three per centum of such combined capital, surplus, and undivided profits, except that such corporate stocks as were owned on April 1, 1931, may be retained * * *." (General Statutes of Conn., sec. 3885, as amended by P. A. 1931, sec. 508a; Banking Law Pamphlet, 1931, sec. 3885, p. 17.)

Savings banks and banks and trust companies maintaining savings departments, may make limited investments of their savings deposits in the stock of certain banks and trust companies located in the State of Connecticut and in Boston, Mass., New York, N. Y., and Philadelphia, Pa., (General Statutes of Conn., Revision of 1930, sec. 3908; and sec. 3995 (26); Banking Law Pamphlet, 1931, sec. 3908, p. 28; and sec. 3995 (26) p. 77.)

DELAWARE.Banks and Trust Companies may purchase stocks.

The laws of Delaware provide that "No bank or trust company shall invest more than twenty-five per centum of its total capital, surplus and undivided profits in the stock, * * * of any one corporation * * * ." (Act of March 31, 1921, sec. 13; Banking Laws, 1929, p. 26.)

The term "bank" as used above includes savings banks. (Act of March 31, 1921, sec. 1; Banking Law Pamphlet, 1929, sec. 1, p. 14.)

FLORIDA.Banks and Trust Companies may not purchase stocks.

It is unlawful "for any bank or trust company organized under the laws of this State and doing business in this State, to directly or indirectly invest any of the funds of said bank or trust company in stock of any incorporated company in this State or elsewhere * * * ." (Compiled General Laws of Florida, 1930 Supp., sec. 6084.)

Savings Banks may purchase bank stocks.

The capital and deposits of a savings bank and the income derived therefrom may be invested "in the stock of any bank incor-

porated under the authority of this State, or the stock of any banking association incorporated under the authority of the United States * * *. (Compiled General Laws of Florida, 1927, sec. 6120; Banking Law Pamphlet, 1930, sec. 4179, p. 35)

Trust Companies may purchase stocks.

A trust company in this state "shall have power: * * * to purchase, invest in and sell stocks, * * *." (Compiled General Laws of Florida, 1930 Supp., sec. 6126 (10))

NOTE: It will be observed that there is an apparent conflict in the laws of this State and it is understood that none of the statutes above referred to has received judicial construction.

GEORGIA.

Banks may not purchase stocks.

Under the laws of this State "No bank shall subscribe for, purchase or hold stock in any other bank * * * nor in any other corporation, unless the same shall have been transferred to it in satisfaction of a debt previously contracted or shall have been purchased at a sale under a power contained in a note or other instrument by which it was pledged to the bank or under a judgment or decree in its favor, and all such stock shall be disposed of by the bank within six months, unless the Superintendent of Banks shall extend the time for good cause shown." (Amendments to Banking Act of Georgia approved August 25, 1927, sec. 10)

The term "bank" as used above includes

savings banks. (Banking Act of Georgia, 1919, as amended, 1925, Article 1, sec. 1.)

Trust Companies operating as investment bankers may deal in stocks and bonds.

"Trust companies, operating as investment bankers, and maintaining departments for the purchase and sale of securities, may purchase for resale whole issues or parts of issues of stocks, bonds and debentures of industrial, railroad and public service corporations and other investment securities, and may resell and deal in the same, under such regulations as may be prescribed by the Superintendent of banks." (Trust Company Act of 1927, sec. 5A)

IDAHO.

Purchase of bank stocks prohibited.

The laws of this State prohibit a bank from purchasing "any shares of * * * any other bank wherever organized, or situated * * * unless such * * * purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased * * * shall within six months from the date of acquirement be sold or disposed of at public or private sale; after the expiration of six months any such stock shall not be considered as a part of the assets of such bank. " (Laws of 1925, ch. 133, sec. 29; Banking Law Pamphlet, 1931, sec. 29, p. 19.)

Savings banks are empowered to make certain investments of their deposits; but they do not have the power to invest in the kinds of corporate stocks contemplated by this digest. (Laws of 1929, ch. 54, p. 73; Banking Law Pamphlet, 1931, sec. 2, p. 53.)

- 14 -

L-34

The term "bank" as used in the Idaho laws includes trust companies. (Laws of 1929, ch. 192, p. 353; Banking Law Pamphlet, 1931, sec. 2, p. 5.) There is also an express provision providing that trust companies are authorized to purchase, invest in and sell such securities as are permitted in the case of commercial banks. (Laws of 1929, ch. 192, sec. 2; Banking Law Pamphlet, 1931, sec. 5, p. 7.)

ILLINOIS.

No Statutory provisions.

The statutes of Illinois do not appear to contain any provisions authorizing or prohibiting banks or trust companies to purchase corporate stocks.

INDIANA.

Commercial banks or trust companies - No specific statutory provisions.

The statutes of Indiana contain no provisions specifically authorizing or prohibiting commercial banks or trust companies to purchase corporate stocks.

Savings banks not permitted to purchase corporate stocks contemplated by this digest.

Savings banks may "invest the money deposited therein" only in such bonds, notes, etc., as are specifically enumerated, and there is not included in this enumeration ~~any~~ corporate stocks of the kinds contemplated by this digest. (Acts of Extra Session of 1869, p. 104, sec. 19, as amended by Acts of 1875, p. 129, Acts of 1893, p. 273, Acts of 1903, p. 211 and Acts of 1917, p. 416.)

IOWA.

Investment in corporate stocks of the kinds contemplated by this digest prohibited.

The laws of Iowa provide that banks and trust companies shall invest only in such stocks, bonds, and securities as are specifically enumerated therein, and there is not included in this enumeration any stocks of the kinds contemplated by this digest. (Banking Laws, 1931, ch. 413; secs. 9183, 9183-C1; ch. 415, secs. 9269, 9271; ch. 416, sec. 9284; ch. 416-A1, sec. 12772). These laws also provide that "No state bank, savings bank, or trust company shall make any loan or discount on the security of the shares of its own capital stock, or be the purchaser or holder of any shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall be sold at public or private sale, or otherwise disposed of, within one (1) year from the time of its purchase or acquisition unless the time is extended by the superintendent of banking." (Banking Laws, 1931, ch. 413, sec. 9184.)

KANSAS.

Banks may not purchase Corporate Stocks.

A bank "shall not invest any of its funds in the stock of any other bank or corporation * * *." (Laws of 1897, ch. 47, sec. 11, as amended by Laws of 1915, ch. 88, sec. 1; Laws of 1921, ch. 70, sec. 1; Laws of 1927, ch. 88, sec. 2; Banking Law Pamphlet, 1931, sec. 30, p. 12.)

The term "bank" as used above includes savings banks. (Laws of 1897, ch. 47, sec. 36, as amended by Laws of 1907, ch. 64, sec. 1; Banking Law Pamphlet, 1931, sec. 43, p. 16.)

Trust Companies authorized to purchase stocks.

A trust company in this State may "buy and sell all kinds of * * * securities and stocks: Provided, that the total investment of any such trust company in bank stock shall at no time exceed one-fourth its paid-up capital stock; * * * Provided, that the total investment in bank stock held by any trust company in excess of one-fourth of its capital shall be disposed of within two years from the passage of this act." (Laws of 1901, ch. 407, sec. 2, as amended by Laws of 1903, ch. 528, sec. 1; Laws of 1907, ch. 425, sec. 1; Banking Law Pamphlet, 1931, sec. 136(8), p. 42.)

KENTUCKY

No statutory Provisions.

The laws of Kentucky contain no specific provisions with reference to the purchase by banks and trust companies of the kinds of corporate stocks contemplated by this digest. With reference to banks, the laws do provide that no bank shall employ its moneys, directly or indirectly, in any enterprise or business except as authorized by law; but the right to purchase corporate stocks does not appear to be authorized by law. (Carroll's Kentucky Statutes, 1930, secs. 579, and 582; Banking Law Pamphlet, 1930, secs. 579 and 582.)

Trust companies are not authorized expressly to purchase corporate stocks, but the laws do provide that "the capital stock of a trust company, and the funds in its possession, not held in a fiduciary capacity, may be invested in such manner as the directors deem prudent and safe; * * *." (Carroll's Kentucky Statutes, 1930, sec. 614; Banking Law Pamphlet, 1930, sec. 614).

LOUISIANA.

Purchase of any Corporate Stocks Permitted.

Banks and trust companies are empowered "to receive, hold, purchase, acquire and convey, by and under their corporate name, such property, real and personal, including bonds, stocks and securities, of the United States, or of any of the United States, or of any corporation, board or body, public or private thereof, as may be necessary, proper or convenient to the objects of the association, and to exercise in relation thereto, all the direct and incidental rights of ownership. " (Laws of 1902, Act. No. 45, sec. 1 (2) and sec. 7, as amended by Act No. 238 of 1910, and Act No. 179, as amended; Banking Laws, 1928, sec. 1 (2), p. 26, sec. 7, p. 30, secs. 1 -32, pp. 3-21)

MAINE.

"Trust and banking companies" - No specific statutory provisions.

The ^{banking} laws of Maine do not contain any provisions expressly authorizing "trust and banking companies" to purchase corporate

- 18 -

stocks, but the laws do give such companies the power "to hold and enjoy all such estate, real, personal and mixed, as may be obtained by the investment of its capital stock or any other moneys and funds that may come into its possession in the course of its business and dealings, and the same sell, grant and dispose of; * * *." (Public Laws, 1923, ch. 144, sec. 61; Banking Laws, 1931, sec. 61, p. 30.)

Savings banks may invest in stock of certain corporations and banks. -- Amount of investment limited.

With reference to savings banks, the laws provide that they "may hereafter invest their funds as follows, and not otherwise:

* * * * *

"XIII *** (a) In the stock of any Maine corporation, other than a banking corporation, actually conducting in this state the business for which such corporation was created, provided such corporation has ~~for~~ a period of three years next preceding the investment earned and received an average net income equivalent to at least six per cent upon the entire outstanding issue of the stock in question.

"(b) The ~~aggregate~~ of all investments made by any bank in stock shall at no time exceed five per cent of its deposits, and not more than one per cent of the deposits of such bank shall be invested in the stock of any single corporation. No such bank shall hold by way of investment or as security for loans, or both, more than one-fifth of the capital stock

"of any corporation; but this limitation shall not apply to assets acquired in good faith upon judgments for debts or in settlements to secure debts." (Public Laws, 1923, ch. 144, as amended, sec. 27; Banking Law Pamphlet, 1931, sec. 27, pp. 9 and 18.)

"XX. ** In the capital stock of any bank in this state incorporated under the laws of this state or the United States; and in the capital stock of any bank in any of the other states of New England or in the state of New York incorporated under the laws of any of those states or the United States and located in a city having a population of not less than two hundred and fifty thousand; provided, that any such bank located outside of this state shall be a member of the Federal Reserve Bank System and shall have a capital and undivided profits of not less than ten million dollars.

"A savings bank shall not hereafter acquire bank stock, both by way of investment and as security for loans, which, together with its present holdings, shall be in excess of seven and one-half per cent of its deposits; nor shall hereafter acquire stock in any one bank which, together with its present holdings shall have a book value of more than one per cent of its deposits; nor shall hereafter acquire bank stock, which, together with its present holdings, shall exceed ten per cent of the capital of any one bank." (Banking Law Pamphlet, 1931, sec. 27, p. 19.)

MARYLAND.

Purchase of Corporate Stocks permitted to Trust Companies.

A trust company is given the power "to exercise, by its directors, duly authorized officers or agents, all such powers as shall be usual in carrying on the business of banking * * * by purchasing, investing in and selling stocks, * * * and other securities * * *". (Laws of 1910, ch. 219,

- 19-a -

L-34

as amended by Laws of 1931, ch. 429, sec. 46; Banking Law Pamphlet, 1931, sec. 46 (9), p. 25.)

Banks - No specific statutory provisions.

There do not appear to be any provisions in the laws of Maryland specifically authorizing or prohibiting banks to purchase corporate stocks.

MASSACHUSETTS.

Purchase of Corporate Stocks by Trust Companies permitted.

A trust company may "invest its money or credits, whether capital or general deposits, in the stocks, bonds or other evidences of indebtedness of corporations or of associations or trusts, * * *"

(General Laws, Ch. 172, sec. 33; Trust Company Pamphlet Laws, sec. 33, p. 21.)

- 20 -

Limitation upon Purchase of Stocks in other Trust Companies.

The laws provide, however, that "No trust company shall hold more than ten per cent of the capital stock of any other trust company". (General Laws, Ch. 172, sec. 43; Trust Company Pamphlet Laws, sec. 43, p. 23.)

Savings Banks may Purchase Certain Bank and Trust Company Stocks--Amount limited.

Savings banks may invest their deposits and income derived therefrom "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 therein in cash in each of the five years next preceding the date of such investments and the amount of whose surplus is at least equal to fifty per cent of 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." (General Laws, ch. 168, sec. 54, (7th), as amended by Acts of 1929, ch. 315; Savings Banks Pamphlet Laws, sec. 54 (7th), p. 39.)

- 21 -

MICHIGAN.Purchase prohibited of kinds of corporate stocks contemplated by this digest.

The laws of Michigan provide that banks and trust companies may only purchase certain specifically enumerated stocks, bonds and other securities, and this enumeration does not include any of the stocks contemplated by this digest. (Laws of 1919, Act. No. 94, sec. 1; Laws of 1929, Act No. 66, sec. 4 and Act No. 67, sec. 24; Laws of 1931, Acts No. 14 and No. 238.)

MINNESOTA.Purchase of corporate stocks contemplated by this digest not permitted.

The statutes of Minnesota provide that banks and trust companies may only purchase or invest in such stocks, bonds, etc., as are specifically enumerated, and there is not included in this enumeration any of the stocks contemplated by this digest. (G.S. 1923, secs. 7649 and 7663; sec. 7714, as amended by Laws of 1927, ch. 368 and ch. 422, and by Laws of 1931, ch. 296; and secs. 7716, 7735, 7738, 7740 and 7810).

MISSISSIPPI.Purchase of bank stocks prohibited.

The laws of this State provide that "No part of the stock of any bank * * * shall be owned by any bank under the provisions of this act. Any such stock owned by any bank at the time this act

- 22 -

takes effect shall be disposed of within twelve months after such time. In cases where such stock is taken as collateral and the purchase thereof shall be necessary to prevent loss upon a debt previously contracted in good faith, then in such cases such stock shall be sold by the bank within twelve months from the time that it was required." (Laws of Mississippi, 1922, Chap. 172, sec. 49; Brown's 1925 Miss. and Federal Statutes pertaining to Banks and Banking, P. 71.)

The term "bank" as used in the banking laws of Mississippi includes trust companies and savings banks. (Laws of Mississippi, 1914, chap. 124, sec. 66; Brown's 1925 Miss. and Federal Statutes pertaining to Banks and Banking, p. 72.).

MISSOURI.

Purchase by Trust Companies of Corporate Stocks permitted but amount limited.

A trust company in this State is authorized "To buy, invest in and sell all kinds of * * * stocks or other investment securities." (Rev. Stats. of Mo., 1929, sec. 5421). The laws provide, however, that such a company "shall not invest or keep invested in the stock of any private corporation an amount in excess of fifteen per centum of the capital and surplus fund of such trust company; nor shall it purchase or continue to hold stock of another bank or trust company if by such purchase or continued investment the total stock of such other bank or trust company owned and held by it as collateral will exceed fifteen per centum of the stock of such other bank or trust company: Provided, however, that this limitation shall not apply * * * to the ownership by such trust company or its stockholders of

- 23 -

a part or all of the capital stock of one bank organized under the laws of the United States or of this State." (Paragraph 9, sec. 5429, Rev. Stats. of Mo., 1929)

There are no statutory provisions in this State governing the purchase by banks of the kinds of corporate stocks contemplated by this digest.

MONTANA.

Banks prohibited from purchasing stocks.

A commercial or savings bank is prohibited from purchasing or investing "in the capital stock of any corporation, unless the purchase or acquisition of such capital stock shall be necessary to prevent loss to the bank on a debt previously contracted in good faith. Any capital stock so purchased or acquired shall be sold by such bank within six months thereafter, if it can be sold for the amount of the claim of such bank against it; and all capital stock thus purchased or acquired must be sold for the best price obtainable by said bank within one year after such purchase or acquisition." (Laws of Montana, 1927, Chap. 89, sec. 39; Banking Laws, 1927, Sec. 39, p. 32.)

Trust Companies authorized to purchase stocks.

The laws of Montana authorize the organization of a trust company which may invest in corporate stocks and other securities, and also provide that: "The board of directors of any such corporation is authorized to invest the capital and assets of said corporation * * * in * * stocks and bonds of corporations * * *." (Laws of Montana, 1927, Chap. 89, sec. 4(c) (8), and sec. 26; Banking Laws, 1927, sec. 4 (c) (8), and sec. 26.)

Investment Companies may purchase stocks.

The laws of Montana authorize the formation of investment companies with the power to receive deposits. These companies are authorized to buy and sell stocks as well as other securities. (Laws of Montana, 1927, Chap. 89, sec. 4(d); Banking Laws, 1927, sec. 4(d).)

NEBRASKA.

Banks - Purchase of Corporate stocks prohibited.

The laws of this State provide that no bank "shall * * * be the purchaser or holder of * * * the shares of any corporation, unless such * * * purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and such stock so purchased or acquired shall, within six months from the time of its purchase be sold or disposed of at public or private sale; or in default thereof, a receiver may be appointed to close up the business of the bank: Provided, in no case shall the amount of stock so held exceed ten per cent of the paid-up capital of such bank."

(Comp. Stats. of Nebraska, 1929, sec. 8-137; Banking Law Pamphlet, 1931, sec. 8-137, p. 11.)

Savings banks are not permitted to purchase corporate stocks.

(Comp. Stats. of Nebraska, 1929, sec. 8-155; Banking Law Pamphlet, 1931, sec. 8-155, p. 14.)

- 24-a -

NEBRASKA.

Trust companies - Except for stock in other trust companies and certain corporations, may purchase corporate stocks.

Trust companies in this State have the power "To buy, hold and own and sell * * * stocks, * * * and other investment securities, * * * except * * * stocks of any corporation that have not earned annual dividends of at least four per cent per annum for at least three years just prior to the date of such purchase and stock of any corporation organized under this article" (trust company). (Comp. Stats. of Nebraska, 1929, sec. 8-206; Banking Law Pamphlet, 1931, sec. 8-206, p. 27.)

- 25 -

NEVADA.Purchase of corporate stocks prohibited.

Under the laws of this State, "No bank shall * * * invest any of its funds in the stock of any bank or trust company or corporation. * * * ." (Comp. Laws of 1929, sec. 662; Banking Law Pamphlet, 1931, sec. 13, p. 8.) the word "bank" as thus used includes savings banks and trust companies. (Comp. Laws of 1929, sec. 724; Banking Law Pamphlet, 1931, sec. 75, p. 24.)

NEW HAMPSHIRE.Purchase of Corporate Stocks permitted.

Trust companies are authorized and empowered "to negotiate, purchase and sell stocks, bonds and other evidences of debt; to do a general banking business; and to conduct a savings department." (Public Laws, ch. 265, sec. 31; Banking Law Pamphlet, 1931, sec. 31, p. 46.)

Limitation upon such purchase.

The laws of this State provide, however, that "The total liabilities of a person, firm or corporation, including in the liabilities of a firm the liabilities of its several members, for money borrowed of the commercial department of a trust com-

- 26 -

pany or other corporation of a similar character, whether organized under the provisions of this chapter or otherwise, shall at no time exceed ten per cent of its capital stock actually paid in and surplus, nor shall such corporation purchase or hold, by way of investment, the stocks and bonds of any corporation to an amount in excess of said ten per cent." (Public Laws, ch. 265, sec. 37; Banking Law Pamphlet, 1931, sec. 37, p. 47.)

Savings Banks and Savings Departments of Banks and Trust Companies.

Subject to certain conditions, savings banks and savings departments of banking and trust companies may make limited investments in the capital stock of banks, trust companies and certain other corporations. (Public Laws, ch. 260, sec. 16; ch. 262, as amended by ch. 89, Laws of 1927, ch. 122, Laws of 1929, and ch. 96, Laws of 1931, secs. 1, 7, 8, 9, 12, 13, 14, 15; Banking Law Pamphlet, 1931, sec. 16, p. 8, secs. 1, 7, 8, 9, 12, 13, 14, 15, pp. 21, 25-32.)

NEW JERSEY.

Banks (other than savings banks) and Trust Companies authorized to purchase Corporate Stocks.

Banks (other than savings banks) "in addition to the power and authority now conferred upon them, shall be authorized to purchase, invest in and sell stocks of corporations". (Laws of 1927, ch. 12, Banking Law Pamphlet, 1932, sec. 10, p. 58.)

Trust companies are authorized "to purchase, invest in and sell stocks * * * and other securities; * * *". (Laws of 1899, ch. 174, sec. 6 (10); Banking Law Pamphlet, 1932, sec. 6 (10), p. 79.)

Savings banks may only invest in certain specifically enumerated securities, and there is not included in this enumeration any of the corporate stocks contemplated by this digest. (Laws of 1931, ch. 167.)

NEW MEXICO.

Commercial banks and trust companies - No express statutory provisions.

There do not appear to be any provisions in the banking laws of New Mexico expressly permitting or prohibiting commercial banks and trust companies to purchase stocks in other corporations. Trust companies, however, are authorized "* * * to purchase, invest in and sell all kinds of * * * investment securities". (1929 New Mexico Statutes Annotated, sec. 13-303, paragraph 7; Bank Code, 1929, sec. 60(7), p. 22); and, with reference to ^{banking} commercial banks, the/laws of New Mexico provide that " * * * no bank shall at any time have invested more than thirty per cent of its unimpaired capital and surplus in the notes, bonds, or other securities of any person, firm or corporation * * *". (1929 New Mexico Statutes Annotated, sec. 13-137; Bank Code, 1929, sec. 36, p. 15.)

Savings banks may only invest their deposits in certain specifically enumerated securities, and there is not included

in this enumeration any of the corporate stocks contemplated by this digest. (1929 New Mexico Statutes Annotated, sec. 13-201; Bank Code, 1929, sec. 56, p. 20.)

NEW YORK.

Trust companies permitted to purchase stocks.

Trust companies have the power "to purchase, invest in and sell stocks * * * and other securities; * * *". (Banking Law, sec. 185 (9).)

Limitation upon purchase of corporate stocks.

A trust company "Shall not invest or keep invested in the stock of any private corporation an amount in excess of ten per centum of the capital and surplus of such trust company; nor shall it purchase or continue to hold stock of another moneyed corporation if by such purchase or continued investment the total stock of such other moneyed corporation owned and held by it as collateral will exceed ten per centum of the stock of such other moneyed corporation, * * * ". (Banking Law, sec. 190 (9).)

Banks - No statutory provisions, but purchase generally of corporate stocks held prohibited.

Banks proper and savings banks are permitted to purchase certain classes of corporate stocks, but none of these stocks is of the type contemplated by this digest. (Banking Law, secs. 106 and 239.)

The banking department of the State of New York has held that banks have no authority to buy stocks other than those classes above referred to, and the courts in this State have rendered decisions to the effect that banks can not purchase stocks of other corporations for the purpose of selling at a profit, can not become stockholders in a railroad corporation, and can not purchase State stocks to sell at a profit.

NORTH CAROLINA.

Purchase of Corporate Stocks permitted, but amount of purchase limited.

"No bank shall make any investment in the capital stock of any other State or National bank; Provided, that nothing herein shall be construed to prevent the subscribing to or purchasing of the capital stock of * * * central reserve banks, having a capital stock of more than one million dollars; by banks doing business under this chapter, upon such terms as may be agreed upon. To constitute a central reserve bank as contemplated by this chapter, at least fifty per cent of the capital stock of such bank shall be owned by other banks." (Code of North Carolina, 1931, sec. 220(c); Banking Laws, 1931, sec. 220(c), p. 20.)

Limitations upon Purchase of Stocks.

"The investment of any bank in the capital stock of such central reserve bank * * *, shall at no time exceed ten

- 30 -

per cent of the paid-in capital and permanent surplus of the bank making same. No bank shall invest more than fifty per cent of its permanent surplus in the stocks of other corporations, firms, partnership, or companies, unless such stock is purchased to protect the bank from loss. Any stocks owned or hereafter acquired in excess of the limitations herein imposed shall be disposed of at public or private sale within six months after the date of acquiring the same, and if not so disposed of shall be charged to profit and loss account, and no longer carried on the books as an asset. The limit of time in which such stocks shall be disposed of or charged off the books of the bank may be extended by the commissioner of banks if in his judgment it is for the best interest of the bank that such extension be granted." (Code of North Carolina, 1931, sec. 220(c); Banking Laws, 1931, sec. 220(c) p. 20.)

Commissioner of banks may suspend limitations on amount may purchase.

"The board of directors of any bank may, by resolution duly passed at a meeting of the board, request the commissioner of banks to temporarily suspend the limitations on loans and investments as same may apply to any particular loan or investment, which said bank desires to make in excess of the provisions of sections 220(b), 220(c), * * * . Upon receipt of a duly certified copy of such resolution, the commissioner of banks may, in his discretion, suspend the limitations on loans and investments in so far as it would apply to the loan or investment

- 31 -

which such bank desires to make." (Code of North Carolina, 1931, sec. 220(e); Banking Laws, 1931, sec. 220(e), p. 21.)

Purchase of Stock of Corporation Owning Land or Building used by Bank.

A bank may invest "fifty per cent of its unimpaired capital and permanent surplus in the stock or bonds of a corporation owning the land, building or buildings occupied by such bank as its banking home" and a bank may not be compelled "to surrender or dispose of any investment in the stock or bonds of a corporation owning the lands or buildings occupied by such bank as its banking home, if such stocks or bonds were lawfully acquired prior to the ratification of this Act; Provided further, however, that the commissioner of banks may, in his discretion, authorize banks located in cities having a population of more than five thousand, according to the latest United States census, to invest an amount greater than fifty per cent of its unimpaired capital and permanent surplus in the stocks or bonds of a corporation owning the land, building or buildings occupied by such bank as its banking home." (Code of North Carolina, 1931, sec. 220(b); Banking Laws, 1931, sec. 220(b), p. 19.)

Definition of term "bank".

"The term 'bank' shall be construed to mean any corporation, partnership, firm, or individual receiving, soliciting, or accepting money or its equivalent on deposit as a business: Provided, however, this definition shall not be construed to include building and loan associations, Morris plan companies, industrial banks

or trust companies not receiving money on deposit." (Code of North Carolina, 1931, sec. 216(a); Banking Laws, 1931, sec. 216(a), p. 3.)

NORTH DAKOTA.

Purchase of Corporate Stocks by Banks prohibited.

Except for the authority to invest in the kinds of corporate stocks not contemplated by this digest, the laws of North Dakota provide that "No bank, except as in this section specifically authorized, shall * * * employ or invest any of its assets or funds in the stock of any corporation, bank, partnership, firm or association, nor shall it invest any of its assets in speculative margins of stocks, bonds, * * *." (Laws of 1931, ch. 96, sec. 33, p. 145.)

The above prohibition is expressly made applicable to savings banks. (Laws of 1931, ch. 96, sec. 49 (i), p. 159.)

OHIO.

Banks (other than savings banks) not permitted to purchase corporate stocks of kinds covered by this digest.

Banks, other than savings banks, are authorized to make certain investments of their capital, surplus, undivided profits and deposits in certain securities, stocks and bonds, but apparently they are not authorized to make investments in the kinds of corporate stocks contemplated by this digest. (Throckmorton's Code of 1930, secs. 710-111, 710-111a, 710-121; Banking Law Pamphlet, 1931, secs. 710-111, 710-111a, 710-121.)

Savings banks - purchase of bank stocks forbidden, but "stocks of companies" may be purchased.

A savings bank is empowered to invest its funds in "stocks of companies, upon which or the constituent companies

comprising the same, dividends have been earned and paid for five consecutive years next prior to the investment and stocks of companies taken on a refinancing plan involving an original investment, which was legal at the time it was made: provided, every such investment shall be authorized by an affirmative vote of a majority of the board of directors of such savings bank"; but "No purchase or investment shall be in the stock of any other corporation organized or doing business under the provisions of Section 710-41 (concerning incorporation of commercial and savings banks and trust companies) or Section 710-180 (concerning special plan banks) of the General Code or of the National Banking Act of the United States". (114 Ohio Laws, p. 153, sec. 1, amending Throckmorton's Code of 1930, sec. 710-140(b); Banking Law Pamphlet, 1931, sec. 710-140(b), p. 59)

Trust Companies - Purchase of bank stocks prohibited, but other corporate stocks may be purchased.

"A trust company may invest in * * * stocks and bonds of corporations when authorized by the affirmative vote of the board of directors, or of the executive committee of such trust company" but the prohibition against savings banks purchasing bank or trust company stocks is also imposed upon trust companies. (Throckmorton's Code of 1930, sec. 710-166; Banking Law Pamphlet, 1931, sec. 710-166, p. 68.)

OKLAHOMA

Banks - Purchase of any kind of corporate stocks prohibited.

A bank "shall not invest any of its funds in the stock of any other bank or corporation * * *." (Oklahoma Statutes, 1931,

sec. 9135; Banking Laws, 1926, sec. 11, p. 15.) The Constitution of Oklahoma also provides that "No trust company, or bank or banking company shall own, hold or control in any manner whatever, the stock of any other trust company or bank or banking company, except such stock as may be pledged in good faith to secure bona fide indebtedness, acquired upon foreclosure, execution sale, or otherwise for the satisfaction of debt; and such stock shall be disposed of in the time and manner hereinbefore provided." (within twelve months from the date of acquisition). (Constitution of Oklahoma, Article 9, sec. 41.)

Trust Companies - May purchase any kind of stocks, except in a bank or in another trust company.

Trust companies are given the power "to buy and sell * * * all kinds of * * * stocks, and other investment securities". (Oklahoma Statutes, 1931, sec. 9206; Banking Laws, 1926, sec. 119(9), p. 64.)

In view of the above provision of the Oklahoma Constitution prohibiting a trust company to "hold or control in any manner whatever, the stock of any other trust company or bank or banking company", it would seem that the power given to trust companies to "buy and sell * * * all kinds of * * * stocks, and other investment securities", is restricted in so far as the provisions of the Oklahoma Constitution are applicable.

OREGON.

Purchase of corporate stocks prohibited.

Except for the authority to purchase certain classes of

-35-

corporate stocks not contemplated by this digest and except for stock acquired or purchased to save a loss on a preexisting debt, the laws of Oregon provide that "Hereafter no bank or trust company shall invest any of its assets in the capital stock of any other corporation". In case stock is purchased or acquired to save loss on a preexisting debt, such stock must be sold "within 12 months of the date acquired or purchased, or within such further time as may be granted by the superintendent of banks". (Oregon Code, 1930, sec. 22-911; Banking Law Pamphlet, 1930 sec. 22-911, p.46)

Savings banks and savings departments of banks or trust companies are not authorized to invest funds in the kinds of corporate stocks contemplated by this digest. (Oregon Code, 1930, sec. 22-1109, as amended by Laws of 1931, ch. 278, p.454.)

PENNSYLVANIA.

Banks (other than savings banks) and trust companies permitted to purchase corporate stocks.

The laws of Pennsylvania provide that "any corporation created by general or special laws, may purchase, hold, sell, assign, transfer, mortgage, pledge, or otherwise dispose of, the shares of the capital stock of * * * any other corporation or corporations, public or private, of this or any other State * * * and while the owner of said stock may exercise all the rights, powers and privileges of ownership, including the right to vote thereon". (Act of July 2, 1901, Public Laws, p. 603, as amended by Acts of March 27, 1929, Public Laws, p. 74, and April 18, 1929, Public Laws, p. 544.)

- 36 -

There are no statutory limitations in Pennsylvania upon the right of State banks, other than savings banks, and trust companies to purchase stocks of other corporations, and it has been considered that such institutions have the right, under the provisions of the Act of July 2, 1901, as amended, to purchase such stocks.

Savings banks, however, do not possess the right to invest their funds in stocks of other corporations. Such banks, by the provisions of Section 17 of the Act of May 20, 1889, P. L. 246 (West's Penna. Statutes, 1920, sec. 19770), are permitted to invest money derived from deposits only as specified in the Act of May 20, 1889, and, as there are no provisions in this act or in amendments thereto (Act of June 28, 1923, P. L. 884, and Act of June 22, 1931, P. L. 600) permitting such banks to invest their funds in stocks of other corporations, it has been considered that they are without this power.

RHODE ISLAND.

Banks proper and trust companies - No specific statutory provisions.

The laws of Rhode Island do not contain any express authority for banks proper and trust companies to purchase corporate stocks; but a trust company is authorized" * * * to invest its capital stock and moneys in its hands in such bonds, obligations, or property, real, personal, or mixed, as it may deem prudent, * * * " (General Laws, 1923, ch. 271, sec. 4; Banking Laws, 1929, sec. 4, p. 16).

- 37 -

Savings banks and banks and trust companies receiving savings deposits - purchase of steam railroad and bank stocks permitted.

Deposits in savings banks and in the savings departments of banks and trust companies, and, in the case of savings banks, the income derived from investments held, may be invested, subject to detailed limitations, in the capital stock of banks and trust companies and certain steam railroad companies. (General Laws, 1923, sec. 1, Clause IV, Clause VII, as amended by Laws of 1927, Ch. 1034, Clause XIV, Clause XV, as amended by Laws of 1925, Ch. 653 and Laws of 1927, Ch. 1034; Banking Law Pamphlet, 1929, sec. 1, p. 22, Clause IV, p. 30, Clause VII, p. 37, Clause XIV, p. 43, Clause XV, pp. 44-45.)

SOUTH CAROLINA

Banking Corporations and trust companies may purchase corporate stocks.

Sec. 4301 of the 1922 Code of this state provides that "Two or more persons desiring to form a corporation for any purpose or purposes whatsoever" (except for certain purposes not of a banking or trust company character) may do so upon filing "a written declaration" setting forth certain required information; and, if certain other prescribed conditions are met, the Secretary of State will issue a charter.

Section 4319 of this Code (Banking Law Pamphlet, 1930, sec. 10, p. 7) provides that "Every corporation chartered under this Article shall have the following powers, to wit: * * 5. To make contracts, to loan money, to acquire and to transfer property, both real and personal, including shares of stock in

37-a -

other corporations, possessing the same powers in such respects as individuals now enjoy."

Section 3992 of the Code (Banking Law Pamphlet, 1930, sec. 71, p. 33) provides that "Every banking corporation may * * * deal in * * * public and other securities, and stocks of other corporations; * * * may purchase and hold such * * * personal property * * * as may be deemed necessary or convenient for the transaction of its business, and may sell and dispose of the same at pleasure; * * *."

Additional authorization to trust companies to purchase corporate stocks.

Trust companies are also specifically authorized "to buy, * * * invest in and sell all kinds * * * of stocks or other investment securities." (Banking Law Pamphlet, 1930, sec. 9(10) p. 158)

Limitation on amount trust company may invest in stock of any corporation.

A trust company, however, "Shall not invest or keep invested in the stock of any one private corporation an amount in excess of twenty-five per centum (25%) of the capital and surplus fund of such trust company; nor shall it purchase or continue to hold stock of another bank or trust company if by such purchase

L-34

- 38 -

or continued investment the total stock of such other bank or trust company owned or held by it as collateral will exceed twenty-five per centum (25%) of the stock of such other bank or trust company: Provided, however, That this limitation shall not apply to the * * * ownership by such trust company, or its stockholders, of a part or all of the capital stock of one bank organized under the laws of the United States or of this State, nor to the ownership of a part or all of the capital of one corporation, organized under the laws of this State, for the principal purpose of receiving savings deposits * * * or investing in other securities in which trust companies may invest" under the laws of this State. (Banking Law Pamphlet, 1930, sec. 12(7), p. 164.)

SOUTH DAKOTA

Banks prohibited from purchasing corporate stocks.

No bank shall "invest any of its funds in the stock of any other bank or corporation, nor make loans or discounts on the security of the shares of its own capital stock, nor be the purchaser or holder of any such shares unless such security or

- 39 -

purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; stocks so purchased or acquired shall, within six months of the time of its purchase, be sold or disposed of at public or private sale; and after the expiration of six months any such stock shall not be considered as part of the assets of such bank." (South Dakota Revised Code, 1919, sec. 8983; Banking Law Pamphlet, 1932, sec. 8983, p. 33.)

Trust Companies prohibited from Purchasing Corporate Stocks.

No trust company shall "invest any of its funds in the stock of any other trust company or corporation, nor make any loans or discounts on the security of the shares of its own capital stock, nor be the purchaser or holder of any shares unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall, within six months of the time of its purchase, be sold or disposed of at public or private sale; and after the expiration of six months any such stock shall not be considered as a part of the assets of any trust company." (South Dakota Revised Code, 1919, sec. 9050; Banking Law Pamphlet, 1932, sec. 9050, p. 82.)

TENNESSEE.

Banks and trust companies authorized to deal in stocks.

Section 3887 of the new Code of Tennessee, which became effective January 1, 1932, authorizes banks and trust companies to "deal in * * * bonds, stocks, or other securities generally, * * * and have and possess all other rights which appertain and belong to a banking institution, except the power to issue notes for the purposes of currency, which power is withheld."

TEXAS.

Purchase of Corporate Stocks Permitted.

In this State banks (other than savings banks) and trust companies may purchase, invest in, and sell stocks and other securities. (Rev. Stat., 1925, Articles 396 (9) and 1513; Banking Laws, 1932, Article 396 (9), p. 14, and Article 1513, p. 74.)

Limitation upon purchase of bank stocks.

It is unlawful for any State bank or trust company "to own more than ten per cent of the capital stock of any other banking corporation, or to make a loan secured by the stock of any other banking corporation, if by the making of such loan the total stock of such other banking corporation held by it as collateral will exceed, in the aggregate, ten per cent of the capital stock of such other banking corporation, unless the ownership or the taking of a greater percentage of such capital stock as collateral shall be necessary to prevent loss upon a

- 41 -

debt previously contracted in good faith; and any such excess so taken as collateral or owned by such bank shall not be held as collateral nor owned by it for a longer period than six months."

(Rev. Stat., 1925, Article 513; Banking Law Pamphlet, 1932, Article 513, p. 40.)

Savings banks may only invest their deposits in certain specifically enumerated securities, and there is not included in this enumeration any of the corporate stocks contemplated by this digest. (Acts of 1929, 1st C.S., S.B. No. 50; Banking Law Pamphlet, 1932, Article 416, p. 22.)

UTAH.

Purchase of corporate stocks permitted.

Any State bank or trust company "may purchase, own, hold, and sell or otherwise dispose of any of the shares of the capital stock of any other bank, loan, trust, and guaranty association or other corporation; provided, such purchase shall be authorized by the executive committee and approved by the board of directors; and in case the purchase is of stock in any other banking corporation the approval of said purchase must also be had from the state bank commissioner; and provided, further, that nothing in this section shall be so construed as to permit the establishment, maintenance, or control of any branch bank or loan, trust, or guaranty company in the State. All acts or parts of acts in conflict with this section are hereby repealed to the extent of such conflict." (Compiled Laws of 1917, sec. 986, p. 299; Banking Laws, 1927, sec. 986, p. 8.)

The above-quoted provision of the laws of Utah is made applicable to savings banks. (Compiled Laws of 1917, sec. 1016; Banking Laws, 1927, sec. 1016, p. 15.)

VERMONT.

Purchase of certain bank or trust company stocks permitted.

Banks and trust companies are empowered to invest their assets "in the stock of any national bank in the New England States or the state of New York, or in the stock of any banking association or trust company incorporated under the authority of and located in such states, or in the stock of any bank incorporated under the authority of and located in the Dominion of Canada; but a bank shall not hold bank stock both by the way of investment and as security for loans in excess of ten per cent of its assets, nor, in any one bank, more than five per cent of its assets, or more than two hundred thousand dollars, or more than ten per cent of the capital stock of any one bank". (General Laws, sec. 5363, par. (a), subdivision VI, as amended by Acts of 1929, Act No. 90, sec. 5.)

VIRGINIA

Purchase of corporate stocks permitted.

Banks and trust companies in this State are empowered to purchase and sell "all stocks and bonds". (Acts of 1928, ch. 507, secs. 1 and 12; Banking Laws, 1929, secs. 4149(1), 4149(13), pp. 24 and 30.)

WASHINGTON.Purchase of corporate stocks prohibited.

The laws of this State provide that a bank or trust company shall not "subscribe for or purchase the stock of any other banking house or trust company, or of any domestic or foreign corporation of any character, * * *; Provided, That such bank and/or trust company may purchase, acquire and hold shares of stock in any other corporation which shares have been previously pledged as security to any loan or discount made in good faith and such purchase shall be necessary to prevent loss upon a debt previously contracted in good faith and stock so purchased or acquired shall be sold at public or private sale or otherwise disposed of within two years from the time of its purchase or acquisition". (Laws of 1929, sec. 5, p. 101; Banking Laws, 1929, sec. 46, p. 26.). The laws also provide that corporations doing a trust business may not invest trust funds in corporate stocks. (Laws of 1929, ch. 206; Banking Laws, 1929, sec. 77, p. 37.)

Savings banks are covered by the above excerpt from the laws of Washington. (Laws of 1917, sec. 14, p. 275; Banking Laws, 1929, sec. 24, p. 11.)

WEST VIRGINIANo Statutory Provisions.

There do not appear to be any provisions in the laws of the State of West Virginia authorizing banking institutions, which term includes trust companies, to purchase corporate stocks.

WISCONSINMutual savings banks prohibited from purchasing corporate stocks - No statutory provisions covering other banking institutions.

Except for mutual savings banks, the banking statutes of Wisconsin contain no provisions with reference to the purchase of corporate stocks by banks and trust companies. The provision with reference to mutual savings banks provides that "No mutual savings bank shall invest any part of its deposits in the stock of any corporation * * *." (Wisconsin Statutes, 1929, sec. 222.13, as amended by Laws of 1931, ch. 27, p. 42; Banking Law Pamphlet, 1932, sec. 222.13, p. 109.)

WYOMINGPurchase of corporate stocks prohibited.

The laws of the State of Wyoming provide that not State bank shall invest any of its assets in the capital stock of any other corporation," except for such stock "as it may acquire or purchase to save a loss on a pre-existing debt, and stocks so acquired or purchased shall be sold within twelve months from the date acquired or purchased; provided, that

a further time may be granted by the State Examiner." (1931 Wyoming Revised Statutes, sec. 10-133.)

The term "State bank" as used in the above excerpt from the laws of Wyoming includes every individual, firm or corporation doing a banking business, and a banking business is engaged in "where credits are opened by the deposit or collection of money or currency or negotiable paper subject to be paid or remitted upon draft, receipt, check or order". (1931 Wyoming Revised Statutes, sec. 10-110.)

The statutes of Wyoming contain no provisions authorizing trust companies not doing a banking business to purchase corporate stocks.