

HOUSE No. 801

By Mr. Sackett of Bellingham, petition of William W. Ollendorff and another for establishment of a fund for guaranty of shares in co-operative banks within The Co-operative Central Bank. Banks and Banking.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Thirty-Four.

An Act to establish a Fund for the Guaranty of Shares in Co-operative Banks within The Co-operative Central Bank.

1 *Whereas*, The deferred operation of this act would
2 tend to defeat its purpose as a measure of relief in
3 the existing financial emergency, therefore it is
4 hereby declared to be an emergency law, necessary
5 for the immediate preservation of the public con-
6 venience.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Section one of chapter forty-five of the
2 acts of nineteen hundred and thirty-two is hereby
3 amended by striking out in the fifth line thereof the
4 words "for the term of five years" and in the eighth
5 line thereof the words "during such term", — so as
6 to read as follows:— *Section 1.* All the co-operative
7 banks now established under the laws of the com-

8 monwealth and subject to the provisions of chapter
9 one hundred and seventy of the General Laws, here-
10 inafter referred to as member banks, are hereby
11 constituted a corporation under the name of The
12 Co-operative Central Bank, hereinafter referred to
13 as the central bank and every co-operative bank
14 hereafter so established shall thereupon become a
15 member bank thereof. It shall be the purpose of the
16 central bank to promote elasticity and flexibility of
17 the resources of the co-operative banks of the com-
18 monwealth by centralizing their reserve funds.

1 SECTION 2. Section six of said chapter forty-five is
2 hereby amended by striking out the word “seventy-
3 five” in lines five and twenty-six and twenty-seven
4 and inserting in place thereof in each instance the
5 word: — sixty-five, — so said section will read as
6 follows: — The directors of the central bank may, by
7 assessments made from time to time as hereinafter
8 provided upon the member banks in the same pro-
9 portion for each, require each member bank to deposit
10 with the central bank a total of not more than sixty-
11 five per cent of such reserve as such member bank is
12 required under chapter one hundred and forty-six
13 of the acts of nineteen hundred and thirty-one to
14 establish and maintain under section forty A of said
15 chapter one hundred and seventy, computed on the
16 basis of its total assets as appearing in its last pre-
17 ceding annual report to the commissioner under
18 section forty-four of said chapter one hundred and
19 seventy. In their discretion, the said directors may
20 accept, in whole or in part, any securities authorized
21 to constitute such reserve, computed at their market
22 value on the date of such deposit. The initial de-

23 posit hereunder shall be called for by the directors
24 of the central bank at their first meeting and shall
25 require the deposits by each member bank of twenty-
26 five per cent only of the aforesaid maximum required
27 percentage of the amount of its reserve as then
28 required to be accumulated and established. The
29 said directors may at any time and from time to
30 time call for such further proportion of the maximum
31 deposits authorized to be required hereby as they
32 may deem necessary; provided, that no member
33 bank shall at any time be required to have on deposit
34 with the central bank more than sixty-five per cent
35 of the amount of its reserve as then required to be
36 accumulated and established. All deposits required
37 under this act shall be paid by the member banks
38 within thirty days after notification, but the directors
39 of the central bank may, in their discretion, for
40 reasonable cause, extend the time in which a deposit
41 may be made by any member bank. Such deposits
42 shall not be subject to withdrawal except with the
43 approval of the directors of the central bank and
44 then only if all other member banks are permitted to
45 withdraw a proportional amount; provided, that if
46 a member bank is in liquidation, said bank's deposit
47 may be withdrawn without any payment to any
48 other member bank.

1 SECTION 3. Section seven of said chapter forty-five
2 is hereby amended by striking out the last two
3 sentences and inserting in place thereof the follow-
4 ing:—

5 The board of directors of the central bank may
6 deposit any funds in any national bank doing business
7 in the commonwealth or in any trust company in-

8 incorporated therein. Such deposits shall be made in
9 national banks or trust companies in twelve cities
10 or towns in the commonwealth in addition to those
11 made in the city of Boston. The central bank may
12 borrow funds in its discretion and pledge, as security
13 therefor, such of its assets as may be necessary.

1 SECTION 4. Section eight of said chapter forty-five
2 is hereby amended by adding thereto the following:—
3 There shall be established within the central bank a
4 fund to be known as The Shares Guaranty Fund for
5 the guaranty of shares in member banks. The board
6 of directors of the central bank shall take from the
7 treasury of the central bank, the sum of two million
8 dollars and place it in said fund. The board of
9 directors of the central bank shall have full control
10 of the operation of said fund and all expenses con-
11 nected therewith shall be paid out of the treasury of
12 the central bank and all interest collected from said
13 fund shall revert to the treasury of the central bank.
14 Said fund shall be invested only in obligations of the
15 United States or of the commonwealth of Massachu-
16 setts.

1 SECTION 5. Said chapter forty-five is hereby
2 further amended by inserting after section eight the
3 following new sections:—

4 *Section 8A.* Whenever it shall appear to the com-
5 missioner that any member co-operative bank is not
6 in sound and safe condition to transact the business
7 for which it is organized or it is unsafe for it to con-
8 tinue business, he shall so notify the attorney general
9 who in turn shall notify the officers of the bank of in-
10 tended action and shall within three days give a hear-

11 ing to the commissioner and the officers of said co-
12 operative bank. If the attorney general approves the
13 action, the commissioner shall then certify their find-
14 ings in writing, to the central bank and the central
15 bank shall then take immediate possession of the prop-
16 erty and business and retain possession thereof until
17 the bank shall resume business or its affairs shall finally
18 be liquidated. The central bank may, with the
19 approval of the commissioner carry on the business
20 of such bank subject to such restriction as the com-
21 missioner may impose. The central bank may,
22 while carrying on such business, loan to such bank
23 such sums as the directors deem necessary for the
24 protection of the bank's shareholders, and order the
25 same to be repaid when no longer required for this
26 purpose.

27 *Section 8B.* At any time after the central bank
28 shall have taken over the operation of any bank, as
29 provided in this act, it may, with the approval of the
30 commissioner turn back the operation thereof to
31 such bank, and thereupon such bank may resume
32 business free from any control of the central bank,
33 subject to such conditions as the commissioner may
34 approve. The central bank shall not turn back the
35 operation of any bank until there shall have been
36 repaid into the central bank all such funds as have
37 been loaned to such bank or its shareholders, or until
38 the central bank shall have received security for such
39 repayments satisfactory to its directors.

40 *Section 8C.* The central bank may, with the ap-
41 proval of the commissioner at any reasonable time
42 after it has taken over the operation of any bank,
43 discontinue the business of such bank and proceed to
44 liquidate its affairs. The central bank shall, in that

45 event, pay to the shareholders of such bank the full
46 amount of their shares as of the date of discontinuance
47 of the bank with interest at such rate, not exceeding
48 three per cent per annum, as the directors shall
49 determine, such payments to be made within two
50 years from such decision to liquidate and at such
51 times and in such installments as the directors with
52 the approval of the commissioner, shall determine.
53 The directors may after two years, upon unquestioned
54 evidence, pay any claim presented, but not after the
55 expiration of four years. In case of such liquidation,
56 the commissioner may by regulation establish the
57 manner in which the shareholders shall be given
58 notice to withdraw their shares, in which final pay-
59 ments shall be made to them. When the commis-
60 sioner shall certify that all shareholders claiming
61 the value of their shares and all other obligations
62 of the bank have been paid in full, the central bank
63 may take over and hold as part of the Shares Guaranty
64 Fund all the remaining assets of such bank free from
65 all claims except those which may be legally offered
66 by the shareholders who have not previously claimed
67 the value of their shares. The central bank shall
68 liquidate such assets as soon as feasible thereafter.
69 For the purpose of paying the shareholders the
70 central bank shall use, in addition to the assets of
71 the member bank, such sums as may be required from
72 the Shares Guaranty Fund.

73 *Section 8D.* In order to carry out the provisions of
74 this act, the central bank may exercise all the powers,
75 rights, and franchises of any bank the operation of
76 which has been taken over under this act.

77 *Section 8E.* When said Shares Guaranty Fund is

78 depleted to less than one million five hundred thousand
79 dollars, the directors of the central bank shall imme-
80 diately transfer from the funds of the central bank
81 the sum of five hundred thousand dollars to re-estab-
82 lish the fund to two million dollars.

