

# SENATE . . . . No. 278

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## The Commonwealth of Massachusetts

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SENATE, February 23, 1932.

The committee on Banks and Banking, to whom was referred so much of the Governor's Address (Senate, No. 1) as relates to formation of central credit banks to which savings and co-operative banks may subscribe, report the accompanying bill (Senate, No. 278).

For the committee,

CONDE BRODBINE.

## The Commonwealth of Massachusetts

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

An Act establishing the Co-operative Central Bank.

1    *Whereas*, The deferred operation of this act would  
2 tend to defeat its purpose, therefore it is hereby  
3 declared to be an emergency law, necessary for the  
4 immediate preservation of the public convenience.

*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. For the purposes of promoting the  
2 elasticity of their resources by centralizing the re-  
3 serve funds of co-operative banks in Massachusetts  
4 a corporation shall be organized without capital stock,  
5 to be known as the Co-operative Central Bank.

6    The deposits of its member banks, as hereinafter  
7 described, together with any surplus which may be  
8 accumulated, shall constitute its capital structure.  
9 The corporation shall be exempt from all state and  
10 local taxation, except in respect to any real estate  
11 owned and/or used by it for its corporate purposes.

1    SECTION 2. The board of bank incorporation shall  
2 select twenty persons who are officers or directors of  
3 co-operative banks who shall associate themselves by  
4 written agreement to form the Co-operative Central  
5 bank, and may, for the purposes of this act, upon re-

6 ceiving a charter from the commonwealth, become a  
7 corporation subject to the powers and privileges and  
8 all the duties, restrictions and liabilities set forth in  
9 this act.

10 Said agreement shall set forth that the subscribers  
11 thereto associate themselves with the intention of  
12 forming a corporation to transact the business specified  
13 in this act within the commonwealth.

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

16 The first meeting of the subscribers to the agree-  
17 ment of the corporation shall be called by the clerk  
18 of the board of bank incorporation by a written  
19 notice setting forth the time, place and purpose of  
20 the meeting. A copy of the notice shall be filed with  
21 the records of the corporation.

22 At the first meeting, or at any adjournment thereof,  
23 the subscribers shall organize by the election of a  
24 chairman and a clerk pro tem of the corporation. The  
25 temporary clerk shall make and attest a record of the  
26 proceedings until a clerk has been chosen and sworn,  
27 such record to include the choice and qualification of  
28 the clerk.

29 Upon the election of the clerk, signers to the agree-  
30 ment shall elect a board of directors in accordance  
31 with this act and thereafter the member banks shall  
32 elect the directors. Each member bank in the elec-  
33 tion of directors shall have one vote, by a delegate  
34 authorized by its board of directors. A majority of  
35 the votes cast shall elect.

36 The annual meeting of the corporation shall be held  
37 within the commonwealth in the month of September  
38 and shall be called by the clerk at a time and place  
39 to be designated by the directors.

1 SECTION 3. There shall be a board of twelve di-  
2 rectors who shall be divided into three equal groups.  
3 One group shall be elected and hold office until the  
4 annual meeting held in nineteen hundred and thirty-  
5 two; one group shall be elected and hold office until  
6 the annual meeting in nineteen hundred and thirty-  
7 three; and one group shall be elected and hold office  
8 until the annual meeting in nineteen hundred and  
9 thirty-four; and successors of the original directors  
10 shall be elected for terms of three years. All directors  
11 shall be sworn and hold office until their successors are  
12 qualified. If a person elected does not, within thirty  
13 days thereafter, take the oath, his office shall there-  
14 upon become vacant. The directors shall fill any  
15 vacancies on the board until the next annual meeting.  
16 At all meetings of the directors seven members shall  
17 constitute a quorum. The board of directors shall  
18 adopt such rules, regulations and by-laws and amend-  
19 ments thereto as they may deem necessary to effect  
20 the purposes of this act. The by-laws and any  
21 amendments thereto shall be approved by the com-  
22 missioner of banks before they become effective.

1 SECTION 4. There shall be a president, vice presi-  
2 dent, treasurer and a clerk of the board of directors,  
3 who shall also be clerk of the corporation, and such  
4 other officers and committees as the board of directors  
5 may deem necessary. The officers shall be elected  
6 by the directors. The president and vice president  
7 shall be members of the board of directors and be  
8 elected for a term not exceeding one year. The di-  
9 rectors may fill any vacancies that occur, until the  
10 next annual meeting.

1 SECTION 5. Every co-operative bank now or here-  
2 after incorporated shall be a member of the Co-  
3 operative Central Bank, and shall be required to  
4 deposit with the central bank not more than seventy-  
5 five per cent of such reserve as is required under  
6 chapter one hundred and forty-six of the acts of nine-  
7 teen hundred and thirty-one and amendments thereto,  
8 and the board of directors may accept at their dis-  
9 cretion, any securities now authorized for this pur-  
10 pose, and such securities shall be accepted at the  
11 market value thereof on the day of delivery. The  
12 maximum amount of deposits that may be required to  
13 be deposited of member banks shall be determined  
14 by the amount of total assets as shown by their an-  
15 nual reports filed with the commissioner of banks.  
16 The initial deposit to be made shall be twenty-five  
17 per cent of the authorized total, and shall be called  
18 for by the board of directors at their first meeting.  
19 The directors of the central bank may at any time call  
20 for such further proportion of the authorized total as  
21 they may deem necessary. All deposits required  
22 under this act shall be paid by the member banks  
23 within thirty days after notification, but in the case  
24 of an individual bank and for reasonable cause the  
25 directors may, in their discretion, extend the time in  
26 which a deposit may be made. Such deposits shall  
27 not be subject to withdrawal except with the ap-  
28 proval of the directors and then only if all other mem-  
29 ber banks are permitted to withdraw a proportional  
30 amount, except in case a co-operative bank should be  
31 in liquidation, then said bank's deposit may be with-  
32 drawn without any distribution to any other member.

1 SECTION 6. The central bank may, in accordance

2 with its by-laws, loan its funds to member banks  
3 only, and any loan so made shall constitute a debt  
4 against the borrowing corporation and, in the case of  
5 liquidation of the borrowing bank, shall be a pre-  
6 ferred debt thereof and shall be satisfied before any  
7 distribution of its assets is made to shareholders. No  
8 member bank may borrow in excess of its deposit unless  
9 said loan is secured as required by the directors of the  
10 central bank.

11 The pledging of any mortgage by a co-operative  
12 bank as security for a loan shall constitute a valid  
13 assignment thereof at law and the central bank may  
14 effect its collections in the manner provided by law  
15 for co-operative banks.

16 The resources of the central bank shall be invested  
17 only in obligations of the United States and of the  
18 commonwealth of Massachusetts, or in loans to mem-  
19 ber banks under conditions hereinafter provided.  
20 The board of directors shall have the authority to  
21 deposit any funds in any national bank doing business  
22 in the commonwealth of Massachusetts or in any trust  
23 company incorporated therein. The corporation may  
24 borrow funds in its discretion and pledge such of its  
25 assets as security therefor as may be necessary.

1 SECTION 7. Dividends shall be distributed from  
2 the earnings of the Co-operative Central bank after  
3 the payment of all expenses and shall be distributed  
4 to members quarterly, equally and ratably, as de-  
5 termined by the board of directors.

6 A surplus account may be accumulated and divi-  
7 dends declared therefrom in the discretion of the  
8 directors.

1 SECTION 8. The commissioner of banks shall have  
2 the same duties and powers in respect to the Co-  
3 operative Central bank as he has to co-operative  
4 banks and shall make an examination and audit at  
5 least once a year and at such other times as he may  
6 deem necessary, the actual cost thereof to be paid  
7 by the Central bank within thirty days of the re-  
8 ceipt of notice from the commissioner of banks.

1 SECTION 9. The commissioner of banks shall, on  
2 or before the fifteenth day of December of each year  
3 furnish to the Co-operative Central bank a list  
4 showing the total assets of each co-operative bank as  
5 of the close of business in October of that year.  
6 Upon receipt of this information the treasurer shall  
7 notify each member bank of the amount of deposit  
8 to be maintained in accordance with the provisions of  
9 section five of this act. If any member bank shall  
10 fail to deposit the amounts due under the provision  
11 of this section and section five the treasurer of the  
12 corporation shall notify the commissioner of banks of  
13 such failure who shall forthwith notify such member  
14 bank in writing. The failure of such member bank  
15 to make such payment within fifteen days after such  
16 notice from the commissioner shall constitute a viola-  
17 tion of law of the commonwealth and the commissioner  
18 may proceed against such bank in the manner outlined  
19 in section five of chapter one hundred and sixty-seven  
20 of the General Laws.

1 SECTION 10. Upon the filing of the agreements of  
2 this corporation, in the office of the state secretary,  
3 and upon payment of a fee of five dollars, he shall  
4 cause the same to be recorded and shall thereupon

5 issue a certificate of incorporation. The secretary  
6 shall sign the certificate of incorporation and shall  
7 cause the great seal of the commonwealth to be thereto  
8 affixed and such certificate shall have the force and  
9 effect of a special charter. The secretary shall cause  
10 a record of the certificate of incorporation to be made,  
11 and such certificate or such record, or a certified copy  
12 thereof, shall be conclusive evidence of the existence  
13 of the corporation.

1 SECTION 11. This bank shall be established for a  
2 period of five years. Its life may be extended by an  
3 act of the legislature upon petition of the board of  
4 directors duly authorized by a two thirds vote of the  
5 accredited delegates present and voting at a regular  
6 or special meeting called for the purpose. If not ex-  
7 tended the charter of the Co-operative Central Bank  
8 shall be void, except for the purposes of discharging  
9 existing obligations and liabilities.

1 SECTION 12. This act shall prevail over all other  
2 statutes so far as they are inconsistent herewith.