

HOUSE No. 1210

The Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES, Feb. 29, 1932.

The committee on Bills in the Third Reading, to whom was referred the bill establishing the Co-operative Central Bank (Senate, No. 278), report recommending that the same be amended by the substitution of the accompanying bill (House, No. 1210).

For the committee,

PHILIP BARNET.

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 purpose of promoting the
2 elasticity of the resources of co-operative banks by
3 centralizing their reserve funds, a corporation, to
4 be known as the Co-operative Central Bank and
5 hereinafter designated as the corporation, shall be
6 organized as hereinafter provided. The deposits of
7 its member banks, hereinafter described, together
8 with any surplus which may be accumulated, shall
9 constitute its capital structure. The corporation
10 shall be exempt from all state and local taxation,
11 except in respect to any real estate owned and/or
12 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 to act as incorporators of the cor-
4 poration. The persons so selected shall associate

5 themselves by written agreement of association with
6 the intention of forming the corporation to transact
7 the business prescribed by this act.

8 The first meeting of the incorporators shall be called
9 by the clerk of the board of bank incorporation by a
10 written notice setting forth the time, place and pur-
11 poses of the meeting. A copy of the notice shall be
12 recorded with the records of the corporation.

13 At said first meeting, or at any adjournment thereof,
14 the incorporators shall organize by the choice, by
15 ballot, of a temporary clerk, who shall be sworn, and
16 by the election, by ballot, of a board of directors,
17 hereinafter provided for, and a clerk. The temporary
18 clerk shall make and attest a record of the proceedings,
19 until a clerk has been chosen and sworn, including a
20 record of such choice and qualification.

21 A majority of the directors elected at said first meet-
22 ing shall forthwith make, sign and make oath to
23 articles setting forth:

24 (a) A true copy of the agreement of association and
25 the names and addresses of the subscribers thereto,

26 (b) The date of the first meeting and of the succes-
27 sive adjournments thereof, if any,

28 (c) The name, residence and post office address of
29 each of the officers and directors of the corporation.

30 Thereupon the articles shall, upon payment of a fee
31 of five dollars, be filed in the office of the state secre-
32 tary. Upon said filing, the state secretary shall issue a
33 certificate of incorporation in the form prescribed by
34 section twelve of chapter one hundred and fifty-six of
35 the General Laws modified to conform to the require-
36 ments of this act. The state secretary shall sign the
37 certificate of incorporation and shall cause the great
38 seal of the commonwealth to be thereto affixed, and

39 such certificate shall have the force and effect of a
40 special charter. The existence of the corporation shall
41 begin upon the filing of the articles of organization in
42 the office of the state secretary and shall extend for five
43 years. The state secretary shall cause a record of the
44 certificate of incorporation to be made, and such
45 certificate, or such record, or a certified copy thereof,
46 shall be conclusive evidence of the existence of the
47 corporation.

48 The annual meeting of the corporation shall be held
49 within the commonwealth in the month of September
50 and shall be called by the clerk at a time and place to
51 be designated by the directors.

1 SECTION 3. There shall be a board of twelve
2 directors, divided into three equal groups. At the
3 first meeting of the corporation, one group shall be
4 elected by the incorporators as aforesaid and hold
5 office until the annual meeting held in nineteen hun-
6 dred and thirty-two, one group, until the annual
7 meeting in nineteen hundred and thirty-three, and
8 one group, until the annual meeting in nineteen
9 hundred and thirty-four. Upon the expiration of
10 the terms of office of directors, their successors shall
11 be elected by a majority vote of the member banks,
12 hereinafter described, for terms of three years. In
13 such election, each member bank shall be entitled to
14 one vote to be cast by a delegate authorized by its
15 board of directors. All directors shall be sworn and
16 shall hold office until their successors are qualified.
17 If a person elected does not, within thirty days there-
18 after, take the oath, his office shall thereupon become
19 vacant. Any vacancies in the board of directors shall
20 be filled by the remaining directors until the next

21 annual meeting. At all meetings of the directors
22 seven members shall constitute a quorum. The
23 directors shall, with the approval of the commissioner
24 of banks, adopt such rules, regulations and by-laws,
25 and amendments thereto, as they may deem neces-
26 sary to effect the purposes of this act.

1 SECTION 4. There shall be a president, vice presi-
2 dent, treasurer and clerk of the corporation, and
3 such other officers and committees thereof as the
4 board of directors may deem necessary, which officers
5 and committees shall be elected annually by the direc-
6 tors. The president and vice president shall be
7 elected from the board of directors. The clerk of the
8 corporation shall be clerk of the board of directors.
9 The directors may fill any vacancies in said offices
10 and committees until the 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.