

**BANK LAWS; BANK ACT OF CALIFORNIA
AS AMENDED. PUBLIC DEPOSIT ACTS OF
CALIFORNIA AS AMENDED. INVESTMENT
COMPANIES ACT OF CALIFORNIA.
NATIONAL BANK ACT AS AMENDED.
CURRENCY ACT OF MARCH 14, 1900**

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N. W. HALSEY

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Bank Laws

(Fourth Edition)

Bank Act of California as Amended.

Public Deposit Acts of California
as Amended.

Investment Companies Act of California.

National Bank Act as Amended.

Currency Act of March 14, 1900.

Additional Circulation Act.

Postal Savings Bank Act.

New York Savings Bank Law.

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Fourth Edition

W. H. H. Wright

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1913

Preface

This Fourth Edition of our compilation of "Bank Laws" is designed to give in compact and convenient form the latest revisions of the Statutes, both National and State, which affect the bond holdings of California banks. The two principal Statutes presented are the California Bank Act, as revised at the 1913 Session of the State Legislature, which Act applies to Commercial Banks, Savings Banks and Trust Companies doing business in California, and the National Bank Act, as amended to date, which governs the operations of National Banks. In order to add to the reference value of the book, we have carefully annotated these Statutes, having the parts of the law referring specifically to bonds printed in black faced type.

Other California laws included are the Public Deposit Acts and the Investment Companies Act. Statutes permitting the deposit of State and other public funds in banks against the pledge of State or Municipal bonds were first passed at the 1907 Session of the Legislature. These statutes have unquestionably added to the attractiveness of public bonds, State and Municipal, as a reserve holding for banks. The principle of these laws appears to be sound and will probably remain a part of the permanent policy of the State. The Investment Companies Act, or "Blue Sky Law", as it is popularly termed, enacted at the 1913 Session of the California Legislature, is somewhat of an innovation. This law provides for a State regulation of public offerings of bonds and stocks, and is designed primarily to prevent the sale of unsafe or fraudulent securities to inexperienced investors. It is hoped that this Law will prove beneficial to conservative dealers in investment securities, through the elimination of unscrupulous competition, but until a thorough test is made of its operation and the operation of similar statutes recently enacted in other states, it will be impossible to judge with any accuracy the practical effect of this legislation.

Among the National statutes included in this volume are the Postal Savings Bank Law, enacted by the Sixty-First Congress, which provides for the deposit of 65% of any savings deposits

received by the Postal authorities with banks in the locality where the money is collected, against the pledge of "Public Bonds" and the Additional Circulation Act, or "Emergency Currency Act", as it is popularly called. This latter Act expires by its terms June 30, 1914, and is not likely to be re-enacted in its present form. It seems probable that either at the special Session of Congress, in session as we go to press, or at the regular Session of the Sixty-Third Congress, which convenes in December, an important revision of the National fiscal system will be made. The uncertainties attending this proposed legislation are so great, however, that we do not feel justified in postponing on its account the publication of this edition, containing the important recent amendments to the California Bank Act.

To the foregoing statutes are added extracts from the New York Savings Bank Law, defining the character of bonds which may be purchased and held by savings banks in that State, which are mutual institutions without capital stock rigidly restricted as to the character of their investments.

These extracts are included, first, because, on account of the importance and scientific character of the New York law, it is reasonable to expect a gradual development of bank laws in other states along the lines established in it, and second, because the prestige and market standing attaching to a bond which satisfies the requirements of the New York Savings Bank Law, is such as to make the question of whether or not securities conform to this law of importance to bankers generally.

This compilation has been made by our Statistical Department, which aims to keep on file, available for the inspection of bankers and other investors, official data relative to banking and investment matters. Upon request we shall gladly furnish detailed information as to the regulations of the National Treasury Department, the State Treasurer's office and the Banking Department of California, together with copies of all forms incident to dealing with these offices; also official statistics relative to the property and earnings of railroad and other quasi-public corporations, the assessed valuation and other essential facts regarding bond issuing municipalities.

June 20, 1913.

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Bank Act of California.

AN ACT TO DEFINE AND REGULATE THE BUSINESS OF BANKING

ARTICLE I.

GENERAL PROVISIONS.

SECTION 1. This act shall be known as the "bank act," and shall be applicable to all corporations specified in the next section. *Title of act*

SEC. 2. The word "bank" as used in this act shall be construed to mean any incorporated banking institution which shall have been incorporated to conduct the business of receiving money on deposit, or transacting a trust business as hereinafter defined. The soliciting, receiving or accepting of money or its equivalent on deposit as a regular business shall be deemed to be doing a commercial or savings bank business whether such deposit is made subject to check or is evidenced by a certificate of deposit, a pass book, a note, a receipt or other writing; *provided*, that nothing herein shall apply to or include money or its equivalent left in escrow or left with an agent, pending investment in real estate or securities for or on account of his principal. It shall be unlawful for any corporation, partnership, firm or individual to engage in or transact a banking business within this state except by means of a corporation duly organized for such purpose. Banks are divided into the following classes: *Definition of "Bank."*

- (a) Savings banks;
- (b) Commercial banks; and
- (c) Trust companies.

Kinds of banks.

SEC. 3. Corporations may be formed by any number of natural persons, not less in any case than three, under the laws of this state to conduct, as provided in this act, and not otherwise, any one or more or all of the businesses mentioned in divisions (a), (b), and (c) of section two, of this act. *Formation of banks.*