

MAINE STATE LEGISLATURE

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EIGHTY-FIRST LEGISLATURE

SENATE

NO. 43

In Senate, Feb. 2, 1923.

Laid on the table for Printing, Pending Reference to a Committee and one thousand copies ordered printed.

L. ERNEST THORNTON, Secretary.

Presented by Senator Eaton of Oxford.

STATE OF MAINE

IN THE YEAR OF OUR LORD ONE THOUSAND NINE
HUNDRED AND TWENTY-THREE

*To the Honorable Senate and House of Representatives of the
Eighty-first Legislature of Maine.*

The joint special committee appointed by the eightieth legislature to investigate and report upon the consolidation of the banking laws of the state, beg leave to report that as a result of the investigation made and the information gathered, they are of the opinion that the present banking laws of the state are inadequate and unsuited to present business conditions; that some of the provisions of the statutes are obsolete, and that a complete revision of the law upon this important subject is desirable and necessary.

The committee, therefore, submits the accompanying summary of important changes proposed by it and also an act

embodying such changes for the consideration of the legislature and expresses the hope and belief that its provisions are plain and reasonable and that, if adopted, it will prove satisfactory in its workings and justify the somewhat extensive changes which have been made in the statute law.

Respectfully submitted,

RUPERT H. BAXTER, Chairman
FREDERIC O. EATON
HAROLD H. MURCHIE
JOHN T. FAGAN
REX W. DODGE

February 8, 1923.

SUMMARY OF IMPORTANT CHANGES PROPOSED
BY RECESS BANKING COMMITTEE.

I. LAWS AFFECTING SAVINGS BANKS

1. By-laws and amendments thereto must be submitted to
2 bank commissioner for his approval, and copies filed with
3 the department.
2. Organization of new institutions permitted only when
2 public convenience and advantage will be promoted.
3. Minimum number of trustees increased from five to
2 seven.
4. Trustees allowed to appoint smaller investment board,
2 whose doings shall be reported to the full board at their
3 regular meetings.
5. No official or employee to receive directly or indirectly
2 any fee, commission, bonus or other compensation, for the
3 sale or transfer of any security.

6. Treasurer or assistant treasurer not to engage directly
2 or indirectly in any other business or occupation without
3 the consent of the majority of the trustees, evidenced by a
4 resolution.

7. Trustees required to hold regular meetings at least
2 monthly, and to cause full and complete records of their
3 proceedings to be kept.

8. All employees having access to moneys or securities to
2 be bonded. Minimum bond for treasurer fifteen thousand
3 dollars, and for other employees five thousand dollars.

9. The savings bank investment law was altered in the
2 following respects:

a. *Government obligations.* Direct and primary obliga-
2 tions of the Dominion of Canada, payable in United States
3 funds, admitted.

b. *State obligations.* Obligations of any state which has
2 not defaulted in its obligations for ten years made eligible.

c. *County obligations.* Obligations of Maine counties ad-
2 mitted. Also counties in states whose bonds are eligible
3 if population exceeds one hundred thousand and net debt
4 is less than three per cent of the valuation. Issues for high-
5 way purposes must be serial, must mature within fifteen
6 years, and must be payable from direct tax on taxable
7 property.

d. *Municipal obligations.* All interest obligations of any
2 municipal or quasi-municipal corporation in Maine admitted,
3 if they are a direct obligation on all taxable property there-
4 in. Obligations of similar corporations in other states whose

5 securities are eligible are admitted if the municipality has
6 been incorporated for twenty-five years, and has had a pop-
7 ulation of not less than ten thousand at each of the last two
8 federal censuses. Municipality must not have defaulted in
9 payment of any obligation within ten years; net debt must
10 not be in excess of five per cent of valuation.

e. *Steam railroad obligations.* Bonds, notes and other
2 interest bearing obligations of any Maine corporation own-
3 ing and operating a steam railroad located principally with-
4 in the state, and having a mileage of not less than five
5 hundred miles, including assumed and guaranteed obliga-
6 tions, admitted. Similar bonds issued and assumed by
7 roads of other states admitted if (1) mileage exceeds five
8 hundred miles, or exceeds one hundred miles and gross
9 operating income exceeds ten million dollars; (2) security
10 is first mortgage or first and refunding mortgage on seventy-
11 five per cent of property of operating road or of leased road
12 forming a substantial portion of the system; (3) net income
13 for five years has been one and one-half times annual in-
14 terest on the bonds in question and all prior liens excluding
15 from such period the period of government operation and
16 two years thereafter; (4) authorized bond issues do not
17 exceed three times outstanding capital stock.

Equipment bonds or notes issued under the Philadelphia
2 plan, secured by standard equipment leased to any steam
3 railroad whose bonds are eligible, admitted.

Mortgage bonds of terminal or bridge company guaranteed

2 by railroad corporation whose mortgage obligations are
3 eligible admitted.

Not more than twenty-five per cent of the deposits may
2 be invested in steam railroad obligations, and not more than
3 two per cent in obligations of any single company.

f. *Public utility obligations.* Bonds or notes issued or
2 assumed by any Maine corporation under the jurisdiction of
3 the public utilities commission, and authorized by such com-
4 mission, admitted.

Obligations of electric railroad, electric light and power,
2 and artificial gas companies, or combinations thereof, in
3 other states subject to the jurisdiction of a public utilities
4 commission and authorized by such commission admitted,
5 if (1) fifty-one per cent of its property is located in, and
6 fifty-one per cent of its business transacted in the United
7 States; (2) fifty-one per cent of its property is owned in
8 fee; (3) gross earnings for three years have averaged three
9 hundred thousand dollars; (4) net earnings for each of
10 three preceding years have been not less than twice annual
11 interest on bonds in question and all prior liens; (5) com-
12 pany has not defaulted on its obligations within three years;
13 (6) obligations mature at least five years before expiration
14 of principal franchise or proper agreement for renewal of
15 franchise exists; (7) obligations must be secured by first
16 or first and refunding mortgage as in case of steam rail-
17 roads; (8) total of authorized bonds and notes must not
18 exceed three times outstanding capital stock.

Not more than twenty-five per cent of the deposits may
2 be invested in public utility obligations, and not more than
3 two per cent in obligations of any single utility.

g. *Obligations of telephone companies.* Obligations of
2 telephone companies issued or assumed by telephone com-
3 panies in the United States admitted, if (1) gross revenues
4 for three years have been five million dollars per year; (2)
5 net earnings for three years have been not less than twice
6 annual interest on bonds in question and prior liens; (3)
7 company has not defaulted within three years; (4) obliga-
8 tions are secured by first or first and refunding mortgage as
9 in case of railroad and utility obligations.

Collateral trust obligations of companies whose gross
2 revenues exceed seventy-five million dollars are admitted if
3 net income for three years has been not less than three
4 times annual interest on the bonds in question and prior
5 liens.

Not more than fifteen per cent of deposits may be invested
2 in telephone obligations, and not more than two per cent
3 in the obligations of a single company.

h. *Bonds of Maine corporations.* Bonds and other in-
2 terest obligations of a Maine corporation carrying on its
3 business in this state admitted, where earnings for three
4 years have averaged twice the interest in the obligations in
5 question and prior liens.

Not more than twenty-five per cent of deposits may be
2 invested in such obligations, and not more than two per
3 cent in the obligations of a single corporation.

i. *Stocks of Maine corporations.* Stocks of Maine corporations other than banks, transacting their business in this state admitted if average net income for three years is equivalent to six per cent on the entire outstanding issue.

Not more than five per cent of the deposits may be invested in stocks, and not more than one per cent in the stock of any single corporation.

j. *Mortgage loans.* Investments in notes or bonds secured by first mortgages or real estate in Maine to sixty per cent of the market value admitted. Total of authorized investment in mortgages increased from fifty to sixty per cent of deposits.

k. *Collateral loans.* Loans on collateral restricted to those securities which the bank itself may lawfully hold. Market value of collateral must always show a margin of ten per cent. Loans on savings deposits in other banks permitted.

l. *Loans to municipal corporations.* Loans to any municipal or quasi-municipal corporation in Maine admitted when duly authorized by such corporation.

10. Savings banks are authorized to hold all investments heretofore lawfully acquired.

11. Provision requiring banks purchasing securities at a premium to carry them on their books at par repealed.

12. Provision requiring distribution of surplus earnings every three years made optional.

13. Maintenance of usual dividend rate authorized by

2 taking necessary amount from reserve with the consent of
3 the bank commissioner.

14. Christmas and vacation clubs specifically authorized.

15. Commissioner authorized to require reports of condi-
2 tion whenever he deems necessary.

16. In case of liquidation the court is authorized to ap-
2 point the bank commissioner, or deputy bank commissioner,
3 receiver. No fees or commissions to be paid to such official,
4 in said capacity, but his expenses to be charged against the
5 assets. The attorney general to render necessary legal ser-
6 vices.

17. Commissioner required to issue semi-annual lists of
2 legal investments.

II. LAWS AFFECTING TRUST COMPANIES

1. Trust companies authorized to act as guardian or
2 administrator.

2. Directors required to hold regular monthly meetings.
2 Executive committees authorized and required to keep full
3 minutes of all business transacted, and to report their
4 transactions at the meetings of the directors.

3. All employees having access to moneys or securities
2 required to give bonds as in case of savings banks.

4. Loans to treasurer and subordinate employees on stock
2 as collateral prohibited with exception of renewal of exist-
3 ing loans.

5. No bonds to be counted as cash for purposes of re-
2 serve, except those of United States government and state
3 of Maine.

6. Minimum surplus fund to be accumulated increased
2 from one-fourth to one-half of the capital stock.

7. By-laws and amendments must be approved by com-
2 missioner, and copies must be filed with the department.

8. Opening of branches must in all cases be authorized by
2 the commissioner.

9. Right to require ninety day notice of depositors limited
2 to withdrawals of more than fifty dollars at any one time
3 or in any one month, as in case of savings banks.

10. Stockholders' liability to continue for thirty days after
2 transfer of stock.

11. Commissioner given authority to impose assessment
2 on stockholders in case of impairment of capital, subject to
3 appeal to the supreme court.

12. No trust company not a member of the federal re-
2 serve system may borrow or rediscount after January 1st,
3 1924, in excess of its capital, surplus, and net undivided
4 profits, except to meet withdrawals of depositors, or to pre-
5 vent loss by sales of assets. This provision not to apply to
6 existing indebtedness or necessary renewals thereof.

13. In case of receivership, court may appoint commis-
2 sioner, or deputy commissioner, receiver as in case of sav-
3 ings banks.

III. LAWS AFFECTING LOAN & BUILDING ASSOCIATIONS

1. Issuance of shares on permanent plan authorized.

2. Minors allowed to hold shares by guardians as well as
2 trustees.

3. By-laws and amendments to be approved by commissioner, and copies filed with the department.
4. Officers required to be sworn annually.
5. Manner of effecting withdrawals may be regulated by by-laws.
6. Matured shares allowed to remain after maturity upon issuance of proper certificates therefor, subject to one month's notice of intention to withdraw.
7. Bank commissioner required to verify deposit accounts at least once in every three years, as in case of savings banks and trust companies.

IV. BLUE SKY LAW

1. Commissioner authorized to grant registration upon reasonable conditions imposed by him.
2. Registration of salesmen made optional instead of mandatory.
3. Securities authorized by Maine public utilities commission excepted from operation of the law.
4. Revocation of registration authorized if securities offered will work a fraud upon the purchasers.
5. No appeal from refusal to grant registration permitted until after formal hearing, but the commissioner authorized to waive formal hearing to expedite appeal.
6. Supreme court authorized to enjoin violations or threatened violations of law.

V. MISCELLANEOUS

1. Securities authorized to be deducted by savings banks

2 in their tax returns are to be valued for purposes of de-
3 duction at their book value instead of market value.

2. Securities authorized to be deducted by trust com-
2 panies in their tax returns are to be valued for purposes of
3 deduction at their cost to the bank instead of at their market
4 value.

3. Licensees under small loan act to report to commis-
2 sioner all outstanding loans where the principal exceeds ten
3 dollars. Minimum charge not exceeding twenty-five cents
4 permitted in all cases.

4. All institutions subject to examination by the depart-
2 ment shall pay an annual assessment of \$2.50 for each one
3 hundred thousand dollars of resources to give the depart-
4 ment additional funds for increased work required of it, by
5 changes in law.

5. Commissioner's salary increased one thousand dollars.