

CHAPTER 171—H. F. No. 506

[Coded in Part]

An act relating to banks and banking; amending Minnesota Statutes 1961, Sections 45.06; 46.05; 47.12; 47.14; 48.02; 48.03; 48.06; 48.08; 48.15; 48.154; 48.19, by adding a subdivision; 48.22, Subdivision 2; 48.22, as amended, by adding subdivisions; 48.24, Subdivision 1; 48.24, Subdivision 2; 48.24, Subdivision 6, as amended; 48.36; 48.38, Subdivision 7, as amended; 48.67; 48.68; 48.81; 48.84; and 48.86.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1961, Section 45.06, is amended to read:

45.06 Banks and banking; expenses of organization and incorporation of banks limited. The expenses of organization and incorporation ~~of~~ *to be paid* by any such banks shall not exceed the *statutory fees for filing applications as provided in section 45.04 and the necessary legal expenses incurred in incident to* drawing articles of incorporation, publication and recording thereof, and the incorporators shall, prior to the issuance of the certificate of authorization provided for by law, file with the commissioner of banks a verified statement showing the *total* amount of expense incurred in the organization of the bank *and to be paid by it after commencing operation.*

Sec. 2. Minnesota Statutes 1961, Section 46.05, is amended to read:

46.05 Supervision over financial corporations. Every state bank, savings bank, trust company, building and loan association, and other financial corporations shall be at all times under the supervision and subject to the control of the commissioner of banks. *If, and whenever in the performance of his duties, the commissioner finds it necessary to make a special investigation of any financial corporation under his supervision, and other than a complete examination, he shall make a charge therefor to include only the necessary costs thereof. Such a fee shall be payable to the commissioner on his making a request for payment, except such fees charged one financial institution shall not total more than \$500 in any calendar year.*

Sec. 3. Minnesota Statutes 1961, Section 47.12, is amended to read:

47.12 Financial corporations. Corporations may be formed for any one of the following purposes:

Changes or additions indicated by italics, deletions by ~~strikeout~~.

(1) Carrying on the business of banking, by receiving deposits, buying, selling, and discounting notes, bills, and other evidences of debt *legal for investment*, domestic or foreign, dealing in gold and silver bullion and foreign coins, issuing circulating notes, and loaning money upon real estate or personal security;

(2) Establishing and conducting clearing houses, for effecting, in one place, the speedy and systematic daily exchange and adjustment of balances between banks and bankers in any municipality, town, or county, establishing and enforcing uniform methods of conducting the banking business in such locality, and adjusting disputes or misunderstandings between members of such clearing house engaged in the banking business;

(3) Creating and conducting savings banks for the reception, on deposit, of money offered for that purpose, the investment thereof, and the declaring, crediting, and paying of dividends thereon, as authorized and provided by law;

(4) Transacting business as a trust company in conformity with the laws relating thereto; and

(5) Carrying on, in accordance with law, the business of building, loan, and savings associations.

Sec. 4. Minnesota Statutes 1961, Section 47.14 is amended to read:

47.14 Certificate, how accompanied. The certificate of incorporation, when presented to the commissioner of banks, shall be accompanied, in the case of a bank, with the certificate of a solvent bank in this state of the deposit therein, in cash, to the credit of the proposed bank, and payable upon its order when countersigned by the commissioner of banks, of an amount equal to its capital stock, *surplus and undivided profits*. In the case of a reorganization of a former national bank, it shall also be accompanied with the written consent of the holders of a majority of its former capital stock. In the case of a savings bank, it shall be accompanied with proof of four weeks' published notice of the intention of the incorporators to organize the same, specifying its proposed name and location, and the names of the proposed incorporators, and that a majority thereof reside in the county of its proposed location, and a sworn declaration by each proposed trustee that he will perform his duties as such to the best of his ability, according to law, with proof of the record of such declaration with the register of deeds; and if there is a savings bank organized and doing business in such county, a copy of such notice shall be served by mail on such bank at least 15 days before the filing of such certificate.

Changes or additions indicated by *italics*, deletions by ~~strikeout~~.

Sec. 5. Minnesota Statutes 1961, Section 48.02, is amended to read:

48.02 Capital and surplus; prepayment of capital. The capital of every bank of discount and deposit hereafter organized shall be at least ~~\$20,000~~ *\$25,000* and a surplus of at least ~~\$4,000~~ *\$5,000* in a municipality of not over 1,000 population, and at least ~~\$25,000~~ *\$50,000* and a surplus of at least ~~\$5,000~~ *\$10,000* in over 1,000 and not over 5,000, and at least ~~\$40,000~~ *\$75,000* and a surplus of at least ~~\$8,000~~ *\$15,000* in one over 5,000 and not over 100,000, and at least ~~\$50,000~~ *\$100,000* and a surplus of at least ~~\$10,000~~ *\$20,000* in one over 100,000. ; ~~provided, that the department, in its discretion, may permit the organization of a bank with \$10,000 capital and a surplus of \$2,000 in a municipality with a population of less than 500 wherein there is no bank;~~ *In addition thereto a deficit anticipation fund shall be provided for in such an amount as the commissioner shall determine to be adequate under the circumstances to avoid any possible impairment of capital and surplus. The total of these outlays shall be known as capital funds, and payment thereof shall be made in full, in cash, and certified to the commissioner, under oath of the president and cashier, before it shall be authorized to commence business. The capital funds of a proposed bank shall not be less than a total amount which the commissioner considers necessary, having in mind the deposit potential for such a proposed bank and current banking standards as pertaining to total capital fund requirements.*

Sec. 6. Minnesota Statutes 1961, Section 48.03, is amended to read:

48.03 Stock list; stockholders' liability. *Subdivision 1.* The president and cashier of any bank of discount and deposit shall at all times keep an accurate verified list of all its stockholders, with the amount of stock held by each, the dates of all transfers and names of transferees, and on May first, annually, file a copy thereof with the commissioner.

Subd. 2. Except as provided in Minnesota Statutes, Section 300.27, no stockholder in any bank of discount and deposit or in any banking or trust corporation or association shall be personally liable for debts of such bank, corporation or association. Except that the president and cashier of any bank of discount and deposit not insured by the federal deposit insurance corporation shall keep at all times an accurate list of all its stockholders, with the amount of stock held by each, the dates of all transfers and names of transferees, and on May first, annually, file a copy thereof with the register of deeds in the county where said bank is located.

Changes or additions indicated by italics, deletions by ~~strikeout~~.

Subd. 3. The stockholders in each bank of discount and deposit whose deposits are not insured by the federal deposit insurance corporation shall be individually liable in an amount equal to the amount of stock owned by them for all the debts of the bank and for all transactions prior to any transfer thereof.

Subd. 4. Whenever a change occurs in the outstanding voting stock of any state bank which will result in control or in a change in the control of the bank, the president or cashier of such bank shall promptly report such facts to the commissioner of banks upon obtaining knowledge of such change. As used in this section, the term "control" means the power to directly or indirectly direct or cause the direction of the management or policies of the bank. A change in ownership of capital stock which would result in direct or indirect ownership by a stockholder or an affiliated group of stockholders of less than 25 percent of the outstanding capital stock shall not be considered a change of control. If there is any doubt as to whether a change in the outstanding voting stock is sufficient to result in control thereof or to effect a change in the control thereof, such doubt shall be resolved in favor of reporting the facts to the commissioner.

Subd. 5. The reports required by subdivision 4 shall contain the following information to the extent that it is known by the person making the report: (a) The number of shares involved, (b) the names of the sellers or transferors, (c) the names of the purchasers or transferees, (d) the names of the beneficial owners if the shares are registered in another name, (e) the total number of shares owned by the sellers or transferors, the purchasers, or transferees, and the beneficial owners both immediately before and after the transaction. In addition to the foregoing, such reports shall contain such other information as may be available to inform the commissioner of the effect of the transaction upon control of the bank whose stock is involved.

Sec. 7. Minnesota Statutes 1961, Section 48.06, is amended to read:

48.06 Directors; qualifications. When the number of directors shall exceed nine, they may designate, semiannually, by resolution, nine of their number, a majority of whom shall constitute a quorum for the transaction of business. Every director of a bank ~~whose capital is \$25,000 or more shall actually own at least \$1,000 par value of full paid stock, and in those with a capital less than that sum at least \$500; except that if a bank has a capital of less than \$25,000 each director shall actually own at least \$500 par value of fully paid stock, and shall take and subscribe an oath that he is the~~

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owner in good faith and in his own right of such amount of stock, that the same is not in any way pledged for any loan or debt, and that he will faithfully perform his official duties, and not knowingly violate, or permit to be violated, any provision of law. The taking of this oath shall be duly certified in the minutes of the records of the bank, and the oath immediately transmitted to the commissioner of banks and filed in his office.

Sec. 8. Minnesota Statutes 1961, Section 48.08, is amended to read:

48.08 Directors and officers, restricted use of bank funds; dealings with bank. No director, *officer or employee* shall, directly or indirectly, in any manner, use the funds of the bank, or any part thereof, *except in its regular business transactions*, and every loan made to any of its directors, officers, servants, or agents shall be upon the same security required of others and in strict conformity to its rules and regulations. Every such loan, or line of credit for a stated amount and not to run for more than one year, shall be ~~made~~ *authorized* by the board and acted upon in the absence of the applicant, *except that a loan to an employee for an amount which will not increase such a liability to exceed \$3,000 may be made without previous approval but shall be acted upon by the board at the next succeeding regular meeting.* No cashier or other officer or employee of a bank shall sell to the bank, directly or indirectly, any mortgage, bond, note, stock, or other security without the written approval of the board of directors, filed in the office of the bank or embodied in a resolution adopted by the board. A copy of this written approval or resolution shall immediately be sent to the commissioner of banks.

Sec. 9. Minnesota Statutes 1961, Section 48.15, is amended to read:

48.15 Special powers. In addition to the inherent and granted powers of corporations in general, any such bank shall have power to exercise, by its board of directors, or duly authorized officers and agents, subject to law, all such powers as shall be necessary to carry on the business of banking by discounting bills, notes, and other evidences of debt, by receiving deposits, by buying and selling gold and silver bullion, foreign coin, promissory notes, mortgages, and other evidences of debt *legal for investment*, and foreign and inland bills of exchange, by lending money on real and personal securities and receiving interest on any of the same in advance, and by *exercising all the usual and incidental powers and privileges* belonging to the business; but it shall not transact any business, except such as is incidental and necessarily preliminary to its establishment, until authorized by the commissioner to commence business.

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Sec. 10. Minnesota Statutes 1961, Section 48.154, is amended to read:

48.154 Prepayment; refund; limitation. The borrower may repay the entire balance of such a loan at any time, and upon such prepayment the borrower shall be entitled to a refund, computed at the rate at which the original charge was computed, upon the amount so prepaid from the date of such prepayment to the stated maturity date of the final installment; provided, that in any event the lender may retain at least \$3 \$5 of the original charge.

Sec. 11. Minnesota Statutes 1961, Section 48.19, is amended by adding a subdivision:

Subd. 3. Security of real estate. *Loan upon the security of real estate within the meaning of this subdivision is any loan where the bank relies upon such real estate for 50 percent or more of the security for the loan period. Where the bank in its judgment relies principally upon other factors, such as the general credit standing of the borrower, guarantee or security other than real estate, such loan does not constitute a loan upon the security of real estate within the meaning of this subdivision, although as a matter of prudent banking practice it may also be secured by real estate. No loan as referred to in this subdivision is to be construed as being exempted from the provisions of subdivisions 1 and 2.*

Sec. 12. Minnesota Statutes 1961, Section 48.22, Subdivision 2, is amended to read:

Subd. 2. Failure to meet requirements. If on any one day, such reserve shall not meet requirements, it shall not constitute a violation for the purposes of section 48.22 provided that the average reserve for the period ~~starting the first day of the same week and ending on the last day thereof ending on the last business day of each calendar week and to include the actual number of such business days,~~ shall equal or exceed minimum requirements as provided in subdivisions 1 and 3. *The required reserve balance of each bank at the close of business each day shall be based on the available reserve at the opening of business of the same day. By appropriate action of the board of directors at the regular annual meeting, a bank, with subsequent 30 days notice to the commissioner as to the effective date, may exercise the option of adopting a weekly period for the purpose of this subdivision which will end on Wednesday of each week. At such a meeting and with the previous approval of the commissioner, a bank may establish a weekly period other than provided herein and with such effective date as the commissioner may prescribe.* For each such weekly period in which the average reserve shall become deficient, such bank shall pay a fine of \$50 or

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an amount equivalent to eight percent per annum based on the average deficiency for such period, whichever is greater. Such fine shall be payable to the commissioner on his making a request for payment.

Sec. 13. Minnesota Statutes 1961, Section 48.22, as amended by Laws 1963, Chapter 153, Section 5, is amended by adding a subdivision to read:

Subd. 4. Federal reserve bank members exempt. Any bank or trust company which is a member of a federal reserve bank shall maintain such reserves with such federal reserve bank as are required by or pursuant to the federal reserve act and so long as it complies with the requirements of such federal reserve act with reference to reserves shall be exempt from the preceding provisions relating to reserve requirements.

Sec. 14. Minnesota Statutes 1961, Section 48.22, as amended by Laws 1963, Chapter 153, Section 5, is amended by adding a subdivision to read:

Subd. 5. Savings certificates demandable, when. Savings certificates issued by state banks and trust companies on the basis of being renewed on an optional basis for a period of not to exceed ten days shall not be considered as demandable liabilities during such option periods for the purposes of this section.

Sec. 15. Minnesota Statutes 1961, Section 48.24, Subdivision 1, is amended to read:

48.24 Restrictions upon total liabilities to a bank. Subdivision 1. The total liabilities to any such bank, as principal, guarantor or endorser of any individual, including the liabilities of any corporation which he owns or controls a majority interest, any partnership, unincorporated association, or corporation, including the liabilities of the several members of a partnership or unincorporated association, and in case of a corporation of all subsidiaries thereof in which such corporation owns or controls a majority interest, shall never exceed 15 percent of its capital actually paid in cash and of its actual surplus fund, except that obligations not to exceed 25 percent of said capital and surplus to any one borrower shall not be included as liabilities for the purposes of this section, but shall be liabilities of the borrowers, provided they are secured by not less than a like amount of any one of the various types of obligations of the United States or which are fully guaranteed as to principal and interest by the United States, and providing that such bonds or obligations have a market value of

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at least ten percent in excess of the amount loaned thereon at the time each loan is made.

For the purpose of this section the members of a family living together in one household, *if borrowed funds are to be used in the conduct of a common enterprise*, shall be regarded as one person and the total liabilities of the members of the family shall be limited as herein provided. The endorser or guarantor of any obligation which is exempt from loaning limits according to the provisions of this section shall also be exempt from such loaning limits to the extent of the amount of his liability on such obligations for the purposes of this section but shall be liable thereon. Individual extensions of credit which result in liabilities of individuals or corporations exceeding the limitations set forth in this section shall be construed to conform to the provisions of this subdivision upon reduction in an amount sufficient to reduce the total liability to not more than the legal amount, but until paid in full shall not exempt the officer or employee of the bank from being personally liable to the bank for the amount of the original excess portion of the loan as set forth in subdivision 7 8 of this section.

Sec. 16. Minnesota Statutes 1961, Section 48.24, Subdivision 2, is amended to read:

Subd. 2. Loans not exceeding 25 percent of such capital and surplus made upon first mortgage security on improved real estate in the state or in an adjoining state within 20 miles of the place where the bank is located, shall not constitute a liability of the maker of the notes secured by such mortgages within the meaning of the foregoing provision limiting liability, but shall be an actual liability of the maker. These mortgage loans shall be limited to, and in no case exceed, ~~40~~ 50 percent of the cash value of the security covered by the mortgage, except mortgage loans guaranteed as provided by the servicemen's readjustment act of 1944, as now or hereafter amended, or for which there is a commitment to so guarantee or for which a conditional guarantee has been issued, which loans shall in no case exceed 60 percent of the cash value of the security covered by such mortgage. *For the purposes of this subdivision, real estate is improved when substantial and permanent development or construction has contributed substantially to its value, and agricultural land is improved when farm crops are regularly raised on such land without further substantial improvements.*

Sec. 17. Minnesota Statutes 1961, Section 48.24, Subdivision 6, as amended by Laws 1963, Chapter 153, Section 6, is amended to read:

Subd. 6. The discount of the following classes of paper

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shall not be regarded as creating liability within the meaning of this section:

(1) Bonds, orders, warrants, or other evidences of indebtedness of the United States, of federal land banks, of this state or of any county, town, village, or school district in this state, or of the bonds, representing general obligation of any other state in the United States, or bonds and obligations of the federal home loan banks established by act of congress known as the federal home loan bank act, approved July 23, 1932, and acts amendatory thereto, or debentures and other obligations of the federal intermediate credit banks established by act of congress known as the federal intermediate credit banks act, approved March 4, 1923, and acts amendatory thereto, in obligations issued by the banks for cooperatives or any of them, and in bonds and obligations of the home owners' loan corporation established by act of congress, known as the home owners' loan act of 1933, and acts amendatory thereto, in exchange for mortgages on homes, or contracts for deed, or real estate held by it.

(2) Bills of exchange drawn in good faith against actually existing values, including bills which are secured by shipping documents conveying or securing title to goods shipped, and which are not to be surrendered until such bills are paid in cash or solvent credits.

(3) Paper based upon the collateral security of warehouse receipts covering agricultural or manufactured products stored in elevators or warehouses under the following conditions:

First, when the actual market value of the property covered by such receipts at all times exceeds by at least ten percent the amount loaned thereon, and

Second, when the full amount of every such loan is at all times covered by fire insurance in duly authorized companies, within the limit of their ability to cover such amounts, and the excess, if any, in companies having sufficient paid-up capital to authorize their admission, and payable, in case of loss, to the bank or holder of the warehouse receipt.

(4) *Total loans to an obligor secured by either certificates of deposit, or savings certificates or both, of any such bank to the extent of the total of such certificates pledged as security.*

(5) Debentures issued under the authority of the federal national mortgage association.

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Sec. 18. Minnesota Statutes 1961, Section 48.36, is amended to read:

48.36 Application. Any state bank having a capital *and surplus of not less than \$50,000 \$200,000* and having its principal place of business in any municipality of less than 25,000 inhabitants; and any state bank having a capital *and surplus of not less than \$75,000 \$250,000* and having its principal place of business in a municipality of 25,000 or more, but less than ~~100,000~~ *200,000* inhabitants; and any state bank having a capital *and surplus of not less than \$100,000 \$500,000* and having its principal place of business in a municipality of ~~100,000~~ *200,000* or more, but less than ~~200,000~~ *inhabitants*; and any state bank having a capital of not less than ~~\$200,0000~~ and having its principal place of business in a municipality of ~~200,000~~ *inhabitants or more*, may exercise the powers and privileges conferred by sections 48.36 to 48.43, in addition to all other powers granted by law, upon complying with the conditions and requirements of those sections, and receiving the approval of the commissioner of banks, who may grant or reject, in his judgment, the application of any bank to acquire trust authority, and in doing so he shall take into consideration the following factors:

(1) The needs of the community for trust service of the kind applied for and the probable volume of such trust business available to the bank;

(2) The general condition of the bank, particularly the adequacy of its net capital and surplus funds in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the proposed exercise of trust powers;

(3) The general character and ability of the management of the bank;

(4) The nature of the supervision to be given to the proposed trust activities, including the qualifications and experience of the members of the proposed trust investment committee;

(5) The qualifications, experience, and character of the proposed executive officer or officers of the trust department;

(6) Whether the bank has available competent legal counsel to advise and pass upon trust matters whenever necessary; and

(7) Any other facts and circumstances that seem proper.

Sec. 19. Minnesota Statutes 1961, Section 48.38, Subdivision

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7, as amended by Laws 1963, Chapter 153, Section 7, is amended to read:

Subd. 7. Except as provided in this subdivision, any amount not less than \$500 received by it as representative or trustee or by order of the court, not required for the purposes of the trust and not to be accounted for within one year, it shall invest, as above provided, in authorized securities then held by it or specially procured by it. *Except as may be otherwise provided in the governing will, trust agreement, court order or other instrument, any amount, not to exceed ~~\$1,000~~ \$10,000 in any one trust account, may be invested in certificates of deposit or savings accounts in the same bank or any other bank whose deposits are insured by the federal deposit insurance corporation; and at the prevailing rate of interest on such certificates or savings accounts. Any amount may be invested in certificates of deposit or savings accounts in any other bank or banks provided such certificates of deposit or savings accounts are fully insured by the federal deposit insurance corporation and receive the prevailing rate of interest on such certificates or savings accounts.*

Sec. 20. Minnesota Statutes 1961, Section 48.67, is amended to read:

48.67 Capital of trust companies. The capital of every trust company hereafter organized, having its principal place of business in any city of less than 25,000 inhabitants, shall not be less than ~~\$50,000~~ \$200,000; the capital of every trust company hereafter organized, having its principal place of business in a city of more than 25,000 inhabitants and less than ~~100,000~~ 200,000 inhabitants, shall not be less than ~~\$75,000~~ \$250,000; the capital of every trust company hereafter organized, having its principal place of business in a city of more than ~~100,000~~ and less than 200,000 inhabitants, shall be not less than ~~\$500,000~~. \$100,000; and the capital of every trust company hereafter organized, having its principal place of business in a city of more than 200,000 inhabitants, shall be not less than \$200,000; but the capital stock of any trust company shall not be in excess of \$2,000,000. *There shall also be provided a surplus of at least 20 percent of capital in addition to such capital amounts in each case and neither the capital nor the surplus so provided shall be reduced without the approval of the commissioner of banks. No trust company hereafter organized shall transact any business until all of its authorized capital stock and required surplus has have been paid in, in cash, or; if the authorized capital be more than \$200,000, until at least \$200,000 thereof has been paid in, in cash, and at least 50 percent of the capital of all trust companies of less than \$200,000 and 25 percent of the capital*

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of all trust companies of \$200,000 or more, hereafter organized, has been invested in one or more of the first, second, third, and fourth classes of authorized securities and railroad bonds, as described by that statute, and also in the farm loan bonds issued by the federal land banks duly assigned and transferred to and deposited with the state treasurer, or, if its capital stock be more than \$200,000, until at least one-fourth thereof has been so invested, assigned, transferred, and deposited. The state treasurer shall submit the securities deposited to the commissioner, who shall carefully examine the securities offered for deposit and ascertain that they comply with all the provisions of law applicable thereto. Upon receipt of an order of the commissioner, the state treasurer shall issue his receipt therefor. This deposit shall be maintained unimpaired as a guaranty fund for depositors and creditors and for the faithful discharge of its duties, with the right to collect the income thereof and to substitute other like authorized securities, of equal amount and value, upon approval and order of the commissioner.

If the securities comply with the law, the commissioner shall issue his certificate of authorization for the trust company to commence business.

The capital stock of any trust company may be reduced with the approval of the commissioner, but not below the respective minimum amounts aforesaid, and no assets shall be returned to the stockholders unless its deposits of authorized securities after such return equal one-fourth of the reduced capital, in no event less than ~~\$25,000~~ *\$100,000*; nor shall the liability of any stockholder upon any existing contract be affected thereby.

When two or more trust companies have been or shall hereafter be consolidated under and pursuant to the provisions of sections 49.34 to 49.41, the capital of the consolidated trust company shall be considered as substituted for the capital of the several trust companies entering into the consolidation, and the aggregate of the securities of these trust companies on deposit with the state treasurer, pursuant to the provisions of this section, shall be increased or diminished accordingly; provided, that any company may hereafter be organized, with its principal place of business at any place within the state, with a capital of not less than \$10,000, to be paid in cash, of which 50 percent shall be invested in authorized securities and deposited with the state treasurer, as provided in this section. The powers and business of the company so organized shall be to act as assignee under any assignment for the benefit of creditors, or be appointed and act as a trustee or receiver, as a guardian, as executor of any will, or administrator of any estate, and the

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company so organized may accept and perform any other lawful trust over which any court, either state or federal, has jurisdiction. This company, before entering upon the duties of its trust, shall give a corporate surety bond in such sum as the court directs, with sufficient surety, conditioned for the faithful performance of its duties. The business of any company so organized shall be limited to the above matters; provided, that the company so organized with a capital stock of \$10,000 shall not use the word "trust" in the title or name of the company.

Sec. 21. Minnesota Statutes 1961, Section 48.68, is amended to read:

48.68 Directors; qualifications; vacancies, how filled. Each director of a trust company shall own at least ~~ten shares~~ *\$1,000 par value* of its capital stock, and a majority of them shall be residents of this state. Each shall take and subscribe an oath that he will diligently and honestly perform his official duties and will not knowingly violate, or permit to be violated, any provision of law relating to trust companies and that he is the owner in good faith of the stock above specified standing in his name on the books of the corporation; the taking of this oath to be noted on the minutes of the records of the corporation and filed with the commissioner. Failure of any person selected as director to qualify shall create a vacancy in the board, and all vacancies in the board shall be filled by the qualified members; provided, that not more than one-third of the membership of the board may be so filled in any one year.

Sec. 22. Minnesota Statutes 1961, Section 48.81, is amended to read:

48.81 Investment powers; limitations on. Any trust company may acquire, use, and improve, and for that purpose mortgage, lease, sell, and convey, such real and personal property as may be necessary for the transaction of its business. Any estate or interest in real estate which it may acquire by virtue of the foreclosure of any mortgage, trust deed, or other security, or by the settlement of any obligation or otherwise, in the course of its legitimate business, it may sell or continue to hold and use as deemed for its interests or those of the estate or trust to which the same belongs, and to that end it may become the purchaser at any foreclosure or judicial sale to which it is a party as trustee or otherwise. It may also accept or make any deed, mortgage, or other instrument necessary for the transaction of its business, may loan money and secure such loans by mortgage, trust deed or pledge, purchase notes, bonds, mortgages, and other evidences of indebtedness, and se-

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curities, and sell and assign the same, and convert them into cash or into other authorized securities, or securities and property not herein expressly prohibited. It may guarantee a title to securities sold and transferred by it; may become sole surety upon any bond ~~without justification~~; *provided that, as to trust companies organized after the effective date of this act, such pertain to its own fiduciary activities* and may maintain and operate safe deposit vaults. It shall invest none of its capital or surplus in real estate except as herein authorized, nor any of its deposits, trust funds or property therein except as so authorized, or under or by virtue of an express contract, judgment, or other instrument conferring or imposing special power and authority so to do.

Sec. 23. Minnesota Statutes 1961, Section 48.84, is amended to read:

48.84 Corporate trustee; trust funds, investment, commingling. Any trust company or state bank which is permitted to exercise trust powers under the provisions of sections 48.37 to 48.47 inclusive may invest all moneys received by it in trust in authorized securities, and shall be responsible to the owner or cestui que trust for the validity, regularity, quality, value, and genuineness of these investments and securities so made, and for the safe-keeping of the securities and evidences thereof. When special directions are given in any order, judgment, decree, will, or other written instrument as to the particular manner or the particular class or kind of securities or property in which any investment shall be made, it shall follow such directions, and in such case it shall not be further responsible by reason of the performance of such trust. In all other cases it may invest funds held in any trust capacity in authorized securities using its best judgment in the selection thereof, and shall be responsible for the validity, regularity, quality, and value thereof at the time made, and for their safe-keeping. Whether it be the sole trustee or one of two or more co-trustees, it may invest in fractional parts of, as well as in whole, securities, or may commingle funds for investment. If it invests in fractional parts of securities or commingles funds for investment, all of the fractional parts of such securities, or the whole of the funds so commingled shall be owned and held by the trust company or state bank in its several trust capacities, and it shall be liable for the administration thereof in all respects as though separately invested; provided, that not more than \$100,000, at the cost price of such investments, shall be so invested for any one trust at any one time in fractional parts or as commingled funds for investment by a trust company or state bank having capital and surplus of less than \$500,000, unless the authority to invest in fractional

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parts or as commingled funds be given in the order, judgment, decree, will, or other written instrument governing such trust. Funds so commingled for investment shall be designated collectively as a common trust fund. *Such trust company or state bank shall maintain such common trust fund in conformity with the rules and regulations prevailing from time to time of that federal governmental agency which regulates the collective investment of trust funds by national banks.* It may, in its discretion, retain and continue any investment and security or securities coming into its possession in any fiduciary capacity. The foregoing shall apply as well whether a corporate trustee is acting alone or with an individual co-trustee.

Sec. 24. Minnesota Statutes 1961, Section 48.86, is amended to read:

48.86 Trust funds; investment of accumulations. Any amount not less than ~~\$100~~ \$500 received by any trust company as executor, administrator, guardian, or other trustee, or by order of court, not required for the purposes of such trust, or not to be accounted for within one year, it shall invest as soon as practicable in authorized securities either then held by it or specially procured by it; and the income, less its proper charges, shall become part of the trust estate, and the net accumulations thereon shall be likewise invested, accounted for, and allowed in the settlement of such trust.

Except as may be otherwise provided in the governing will, trust agreement, court order or other instrument, any amount not to exceed ~~\$1,000~~ \$10,000 in any one trust account, may be invested in certificates of deposit or savings accounts in the same bank or any bank whose deposits are insured by the federal deposit insurance corporation and at the prevailing rate of interest on such certificates or savings accounts. Any amount may be invested in certificates of deposit or savings accounts in any other bank or banks provided such certificates of deposit or savings accounts are fully insured by the federal deposit insurance corporation and receive the prevailing rate of interest on such certificates or savings accounts.

Approved April 9, 1965.

CHAPTER 172—H. F. No. 864

[Not Coded]

An act relating to ratification of sale and conveyance of certain real estate by Crow Wing county.

Changes or additions indicated by italics, deletions by strikeout.