

CHAPTER 48

BANKS, TRUST COMPANIES

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NOTE: "Commissioner" means commissioner of banks. See Sections 46.03 and 46.04.

48.01 DEFINITIONS. Subdivision 1. **Words, terms, and phrases.** Unless the language or context clearly indicates that a different meaning is intended, the term defined in subdivision 2, for the purposes of sections 48.57, 48.58, and 48.59, shall have that meaning; and the term defined in subdivision 3, for the purposes of this chapter, shall have that meaning.

Subd. 2. **Banking institution.** The term "banking institution" means any bank, trust company, bank and trust company, or mutual savings bank which is now or may hereafter be organized under the laws of this state.

Subd. 3. **Commissioner.** "Commissioner" means the commissioner of banks of the banking division of the department of commerce of the State of Minnesota.

[1935 c. 319 s. 1] (7658-6)

48.02 CAPITAL AND SURPLUS; PREPAYMENT OF CAPITAL. The capital of every bank of discount and deposit hereafter organized shall be at least \$25,000 and a surplus of at least \$5,000 in a municipality of not over 1,000 population, and at least \$50,000 and a surplus of at least \$10,000 in one over 1,000 and not over 5,000, and at least \$75,000 and a surplus of at least \$15,000 in one over 5,000

and not over 100,000, and at least \$100,000 and a surplus of at least \$20,000 in one over 100,000. 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.

[*R L s 2983; 1965 c 171 s 5*] (7659)

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 shall annually file a copy of such list as it appears on the date of the annual stockholders meeting with the commissioner.

Subd. 2. Except as provided in 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.

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.

[*R L s 2985; 1907 c 137 s 1; 1955 c 14 s 1, 2; 1957 c 601 s 5; 1965 c 171 s 6; 1967 c 102 s 4*] (7669)

48.033 STATE BANKS, LIABILITY OF STOCKHOLDERS. Notwithstanding sections 48.03, 49.24, and 300.27, any stockholder of a state bank whose deposits are not insured by the Federal Deposit Insurance Corporation, shall be personally liable for the debts of said bank to the extent of the par value of the stock held by such stockholder.

[*1955 c 335 s 1*]

48.04 INCREASE AND REDUCTION OF CAPITAL. No increase or reduction of the capital of any such bank shall be valid until the entire new capital has

been paid in cash, and certified to the commissioner under oath of the president, vice-president, or cashier. The commissioner shall thereupon issue his certificate of that fact and of his approval thereof. No reduction of the surplus of any such bank shall be valid until such reduction has been approved by the commissioner of banks. No reduction shall affect the liability of any stockholder for any indebtedness incurred prior thereto.

[*R L s 3003; 1957 c 601 s 6*] (7691)

48.05 CAPITAL NOT TO BE WITHDRAWN; DIVIDENDS. No portion of the capital or surplus of any such bank shall ever be withdrawn by any person or in any way, either in dividends or otherwise, except upon reduction as provided by law. No dividend on common stock shall be made except as provided in section 48.09.

[*R L s 2997; 1957 c 601 s 7*] (7681)

48.055 ISSUANCE OF PREFERRED STOCK, CONDITIONS. Subdivision 1. Any state bank may issue preferred stock of one or more classes, with or without voting rights, with the approval of the commissioner of banks and without change of its certificate of incorporation, when its board of directors is so authorized by a majority vote of its stockholders, at a general or special meeting thereof called for such purpose. Provided, however, that in no event shall the amount of preferred stock exceed 50 percent of the total common stock and surplus of such issuing bank.

Subd. 2. Such preferred stock may be issued to any person, firm, or corporation, and the holders thereof shall have such rights as are set forth under the terms of issue of such preferred stock. No issue of preferred stock shall be valid until the capital stock shall have been fully paid in, and no dividend shall be paid on the common stock of a bank until all terms of the issue of such preferred stock shall have been satisfied.

Subd. 3. The terms of issue of such preferred stock shall set its rank or priority as between other stock issue, provided that such preferred stock shall be subordinated to all claims of depositors or other creditors in case of the insolvency of the issuing bank. Such preferred stock shall in no case be subject to any assessment, nor shall otherwise be liable for the obligations of the issuing bank. Before any such preferred stock is retired or paid by the issuing bank, it must first obtain the approval of the commissioner of banks.

Subd. 4. At the end of each dividend period, after deducting all necessary expenses, losses, amounts receivable more than one year overdue and not well secured, interest, and taxes due or levied, all of the remaining net profits for the period shall be set aside as a surplus fund, if the surplus fund of such bank is not then equal to one-fifth of the capital stock. If the surplus fund is more than one-fifth of the capital stock, ten percent of the remaining net profits for the period shall be set aside as a surplus fund until it equals fifty percent of the total capital stock. After these provisions are complied with, the bank may, without prior approval of the commissioner, pay dividends as provided under the terms of issue of such preferred stock. Dividends on preferred stock may be paid out of the undivided profit account without regard to earnings in the last concluded year, if the surplus equals fifty percent of the total capital stock and the undivided profit account would not be thereby reduced to less than 25 percent of the total capital stock.

Subd. 5. Any preferred stock issued by a state bank shall be part of its capital stock structure, and the terms "capital stock" or "capital" in any laws of this state pertaining to state banks shall be deemed to also include and apply to preferred stock, except that only stock issued with or having succeeded to voting rights shall qualify a director under the provisions of section 48.06.

Subd. 6. The commissioner is authorized to issue such regulations and orders as may be necessary to administer and carry out the provisions and purposes of this section.

[*1957 c 634 s 1*]

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 shall actually own at least \$1,000 par value of full paid stock, 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 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.

[*R L s 2986; 1927 c 260 s 1; 1965 c 171 s 7*] (7670)

48.07 OFFICERS; APPOINTMENT, REMOVAL. The board of directors of a bank or trust company organized under the laws of this state shall have full power and authority at any time to appoint and remove any officer or employee.

[*1927 c. 259 s. 1*] (7699-4)

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 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.

[*R L s 2989; 1925 c 305 s 1; 1957 c 601 s 8; 1965 c 171 s 8*] (7673)

48.09 DIVIDENDS; SURPLUS. At the end of each dividend period, after deducting all necessary expenses, losses, amounts receivable more than one year overdue and not well secured, interest, and taxes due or levied, all of the remaining net profits for the period shall be set aside as a surplus fund, if the surplus fund of such bank is not then equal to one-fifth of the capital stock. If the surplus fund is more than one-fifth of the capital stock, ten percent of the remaining net profits for the period shall be set aside as a surplus fund until it equals 50 percent of the capital stock. The directors may then declare a dividend of so much of the remainder as they may think expedient, subject to the commissioner's approval. When in any way impaired the surplus fund shall be raised to this percentage in like manner.

[*R L s 2987; 1939 c 38 s 1; 1957 c 601 s 9*] (7671)

48.10 ANNUAL AUDIT; REPORT. The board of directors shall annually examine the books of a bank, either in person, or by appointing an examining committee, or an auditor, who may be an independent auditor or accountant. The examining committee or auditor shall be solely responsible to the directors. A report shall be made to the directors as to the scope of the examination or audit, and also to show those assets, excluding marketable securities and fixed assets, which are carried on the books for more than actual value. This report shall be retained as a permanent record or incorporated in the minutes of the meeting.

[*R L s 2988; 1945 c 94 s 1; 1957 c 601 s 10; 1959 c 88 s 5*] (7672)

48.11 CONTRACTS, HOW MADE. Every contract made by any bank, except routine business, shall be first duly authorized by resolution of its board of directors, signed by the president or vice-president and by the cashier or some other officer specially designated by the board, and have its corporate seal impressed thereon.

[*R. L. s. 2994*] (7678)

48.12 BONDS OF OFFICERS AND EMPLOYEES. Every state bank shall be protected against loss by reason of the unlawful act of any of its officers or employees by a surety bond in an amount approved by the board of directors, issued by a solvent corporate surety in good standing authorized to do business in this state, or by a fidelity insurance policy written by a solvent insurance corporation in good standing authorized to do business in this state. The commissioner of banks or the board of directors of such bank may require an increase of the amount of

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such bond whenever either deems it necessary. This shall not require the bonding or insuring of officers or directors of a bank not having active management or control thereof, or employees of a bank not holding positions of trust. Any bond given or contract of insurance secured shall be in favor of the bank.

[1925 c. 351 s. 1; 1945 c. 72 s. 1] (7699-1)

48.13 CONDITIONS OF BONDS. If a bond is given, it shall be in favor of the bank and shall have one corporate surety, which shall be a solvent insurance corporation in good standing authorized to do business in Minnesota, or at least five individual sureties, not one of whom shall be an officer, director, or stockholder of the bank, and each of whom shall justify in a sum equal to the penalty of the bond and, in addition thereto, each individual surety shall furnish to the bank, in connection with the bond, a verified financial statement showing his solvency and responsibility, which statement shall be renewed and revised annually by each surety. If a contract of insurance is secured, it shall be in favor of the bank and shall be executed by some insurance company possessing the qualifications heretofore specified.

[1925 c. 351 s. 2] (7699-2)

48.14 EXAMINATIONS, REPORTS TO SHOW NAMES OF BONDED OFFICERS AND EMPLOYEES. When an examination is made of a bank by the commissioner, or his examiner, the report of the examination made to the commissioner shall state the names of all the officers and employees of the bank so bonded or insured, and the penalty of the bonds or the amount of the insurance covering them. When blanket coverage is provided, the names of all the officers and employees need not be stated. When the commissioner, after an investigation, finds as a fact that any bank is not adequately protected against loss by reason of the unlawful act of any officer or employee thereof, whether through the omission to secure any bond or contract of insurance, or through the insufficiency of the sureties or the insurer on the bond or policy given, or otherwise, he may require, by written order, that such bonds or contracts of insurance in favor of the bank be obtained as in his opinion would adequately protect the bank against loss by reason of the unlawful act of any of its officers or employees, and shall thereupon notify the bank, by registered mail, of his order; and, if the same is not complied with within 30 days after the date of the mailing of the order, the bank may be closed by him and, if closed, shall not be permitted to resume business until the order has been fully complied with. All such bonds or contracts of insurance shall remain in the custody of the bank protected thereby and shall be available for examination and inspection by the commissioner.

[1925 c. 351 s. 3; 1969 c. 772 s. 2] (7699-3)

48.15 SPECIAL POWERS. Subdivision 1. 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.

Subd. 2. The commerce commission may, by majority vote of its members, which shall include the affirmative vote of the commissioner of banks, authorize banks organized under the laws of this state to engage in any banking activity in which banks subject to the jurisdiction of the federal government may hereafter be authorized to engage by federal legislation, ruling, or regulation. The commission may not authorize state banks as defined by section 48.01, to engage in any banking activity prohibited by the laws of this state.

[R L s. 2984; 1965 c. 171 s. 9; 1969 c. 1129 art. 4 s. 9] (7660)

48.151 ADDITIONAL POWERS. Any bank, savings bank, or trust company organized under the laws of this state, or any national banking association doing business in this state, shall have the power to advertise for sale and sell for a fee money orders, traveler's checks, cashier's checks, drafts, registered checks, and

certified checks and no other person, firm, or corporation, either directly or through agents, shall advertise for sale or shall sell for a fee any evidence of indebtedness on which there appears the words, "money order," "traveler's check," "cashier's check," "draft," "registered check," "certified check," or other words or symbols whether of the same or different character which tend to lead the purchaser to believe that such evidence of indebtedness is other than a personal check, unless such evidence of indebtedness is issued by a person, firm or corporation which is a savings and loan association, telegraph company, or has on file in the office of the secretary of state a surety bond in the principal sum of \$5,000 issued by a bonding or insurance company authorized to do business in this state, which surety bond shall run to the state of Minnesota and shall be for the benefit of any creditor for any liability insured on account of the sale or issuance by it or its agent of any such evidence of indebtedness, or has deposited with the secretary of state securities or cash of the value of \$5,000; provided, however, that the aggregate liability of the surety to all such creditors shall, in no event, exceed the sum of such bond or deposit. Any person, firm or corporation who shall violate any provision of this section shall be guilty of a misdemeanor.

[1955 c 555 s 1; 1959 c 88 s 6]

48.153 INSTALLMENT LOANS; INTEREST IN ADVANCE. Any bank organized under the laws of this state, or any national banking association doing business in the state, making any loan of money not exceeding \$5,000 repayable in installments, may make a charge for such loan computed at a rate not exceeding six percent per annum upon the total amount of the loan from the date thereof until the stated maturity date of the final installment thereof, which shall not exceed five years and thirty two days from the date of the loan, notwithstanding that such loan is required to be repaid in installments or that the loan is secured by mortgage, pledge, or other collateral or by a deposit account opened concurrently with the making of the loan and assigned as collateral security therefor, which deposit account may evidence deposits made or required to be made periodically, with or without interest, throughout the term of said loan. If the charge so computed shall be less than \$5, the amount so charged may nevertheless be \$5. Any charge authorized by sections 48.153 to 48.157 may be deducted in advance from the proceeds of such loan or may be included in the principal amount of the note or other instrument evidencing said loan and the aggregate amount thereof be payable in installments.

[1945 c 544 s 1; 1947 c 314 s 1; 1955 c 616 s 1; 1957 c 916 s 1; 1961 c 298 s 7; 1963 c 577 s 1]

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 \$5 of the original charge.

[1945 c 544 s 2; 1965 c 171 s 10]

48.155 ALLOWABLE ADDITIONAL CHARGES. No charge other than those provided for in sections 48.153 and 48.154 shall be made directly or indirectly for any such loan except that there may be charged to the borrower:

(a) In case of default, to collect a delinquency and collection charge on each installment in arrears for a period of not less than ten days in an amount not in excess of five percent of the unpaid amount of each installment or \$5, whichever is less. A delinquency charge may be collected only once on an installment however long it remains in default. No delinquency charge may be collected on an installment which is paid in full within 10 days after its scheduled installment due date even though an earlier maturing installment or a delinquency charge on an earlier installment may not have been paid in full. For purposes of this paragraph payments are applied first to current installments and then to delinquent installments;

(b) Any lawful fees paid or to be paid by the lender for any abstract or to any public officer for filing, recording, or releasing in any public office or for acknowledging any instrument securing the loan;

(c) Any lawful premium or charge for insurance protecting the lender against the risk of loss from not filing or recording a security agreement or financing statement and in lieu of filing thereof. Such premium or charge shall not exceed the

actual premium or charge made by the insurance company to the lender and in no event in excess of the costs if the document were actually filed, recorded, or released in any public office;

(d) The premium on any life, property or other insurance taken as security for the loan; provided, that the borrower may himself, at his own cost, procure and deposit with the lender any such insurance if written by a responsible company. Such premium may be included as part of the loan.

[1945 c 544 s 3; 1963 c 153 s 3; 1971 c 33 s 1]

48.156 LOAN DUE ON DEFAULT. Nothing in sections 48.153 to 48.157 shall prohibit the lender from declaring the whole of such loan immediately due and payable upon default if the loan agreement shall so provide.

[1945 c. 544 s. 4]

48.157 COPY OF NOTE TO BORROWER. At the time of making an installment loan under the provisions of sections 48.153 to 48.157, the borrower shall be furnished a copy of the note that he signed and also a copy or statement of all charges made by the bank on such loan.

[1945 c. 544 s. 5]

48.158 SETTLEMENT OF CHECKS AT LESS THAN PAR. No bank or trust company organized under the laws of this state shall settle any check drawn on it otherwise than at par. The provisions of this section shall not apply with respect to the settlement of a check sent to such bank or trust company as a special collection item. This section is in effect on and after November 1, 1968.

[1967 c 156 s 1]

48.16 BANKS MAY NOT PLEDGE ASSETS; EXCEPTIONS. No bank or trust company shall pledge, hypothecate, assign, transfer, or create a lien upon or charge against any of its assets except to the state or to secure public deposits or to secure deposits of postal savings funds or of trustees in bankruptcy, or to secure money borrowed in good faith from other banks or trust companies, or from any financial agency created by an act of congress; provided, that this section shall not be construed to permit the use of any assets as security for public deposits other than the securities made eligible by law for that purpose.

[1927 c 257 s 1; 1931 c 341; 1933 c 149 s 1; 1939 c 46; Ex1967 c 30 s 1] (7699-14)

48.17 POWERS OF OFFICERS OR EMPLOYEES. No officer or employee of a bank or trust company shall have power or authority to borrow money, execute guaranties or endorse, otherwise than without recourse, pledge or hypothecate any note, bond, or other obligation belonging to the bank or trust company unless the power and authority shall have been given the officer or employee by the board of directors and a written record thereof made in the minute book of the bank and a certified copy of the record delivered to the creditor, guarantee, pledgee, or endorsee of the note, bond, guaranty, or other obligation.

[1927 c. 257 s. 2] (7699-15)

48.18 PLEDGES OR LIENS OF ASSETS SUBJECT TO PRIOR LIENS. No bank or trust company shall pledge or hypothecate or create a lien upon or charge against any of its assets subject to a prior lien, hypothecation, or charge.

[1927 c. 257 s. 3] (7699-16)

48.19 LOANS ON REAL ESTATE RESTRICTED. Subdivision 1. **Restrictions; exception.** No bank or trust company shall make any loan upon the security of real estate unless it is a first lien thereon, except that a bank or trust company may take a junior lien upon real estate to secure a loan previously contracted. Before any such loans are made the value of the real estate shall be determined by an appraisal made by a committee appointed by the board of directors, which appraisal shall be made a matter of record; except that the board may accept an appraisal made by or for an agency of the United States government when such agency is guaranteeing or insuring the loan or any part thereof.

A bank may take additional liens on the same security and these shall be considered to be part of the same mortgage lien thereon providing it has been established that there are no intervening liens.

Loans in which the small business administration cooperates through agreements to participate on an immediate or deferred basis under the federal small business act shall not be subject to the restrictions or limitations of this section imposed upon loans secured by real estate.

Subd. 2. Certain loans validated. Loans heretofore made by any bank or trust company by acceptance of an appraisal made by or for an agency of the United States Government, and without bank or trust company appraisal, are hereby validated provided the loans related thereto have been guaranteed or insured in whole or in part by such agency.

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.

[1927 c 257 s 4; 1947 c 141 s 1; 1957 c 601 s 11; 1963 c 153 s 4; 1965 c 171 s 11] (7699-17)

48.20 UNAUTHORIZED PLEDGES, NOTES, LIENS VOID. Any note, endorsement, guaranty, pledge, hypothecation, lien or other obligation given contrary to the provisions of sections 48.16 to 48.18 shall be null and void.

[1927 c. 257 s. 5] (7699-18)

48.21 REAL ESTATE; RESTRICTIONS ON HOLDING. Such bank may purchase, carry as an asset, and convey real estate for the following purposes:

(1) Such as shall be necessary for the convenient transaction of its business, including with its banking office other apartments to rent as a source of income, which investment less normal depreciation shall not exceed 40 percent of its paid-in capital stock and permanent surplus, and upon written approval of the commissioner of banks, not to exceed 60 percent of its paid-in capital stock and permanent surplus.

(2) Such as is acquired through foreclosure of any mortgage given to it in good faith by way of security for loans made or money due to such bank.

(3) Such as is conveyed to it in satisfaction of debts previously contracted in good faith in the course of its dealings.

(4) Such as is acquired by sale on execution or judgment of any court in its favor.

It shall not purchase, carry as an asset, or convey real estate in any case or for any other purpose whatever. Real estate acquired in the cases contemplated in clauses 2, 3 and 4 shall be carried as an asset only in accordance with such rules and regulations as the commissioner shall prescribe.

[R L s 2995; 1919 c 85 s 1; 1921 c 258 s 1; 1929 c 54 s 1; 1945 c 63 s 1; 1955 c 104 s 2; 1957 c 601 s 12] (7679)

48.22 CASH RESERVES. **Subdivision 1. Requirements.** It shall always keep a reserve equal to 12 percent of its demandable liabilities and three percent of its time deposits; which shall be in cash, cash items in process of collection and balances due on demand from solvent banks in the United States or its territories. No bank shall act as reserve agent for another without the approval of the commissioner if its capital and surplus are less than \$100,000. When its reserve shall become impaired, it shall make no new loans or discounts except upon sight bills of exchange, nor declare any dividend until the same has been fully restored.

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 each biweekly period ending on the last business day of alternate calendar weeks and to include the actual number of such business days, shall equal or exceed minimum requirements as provided in subdivisions 1 and 3. The cash reserves of each bank shall be the amount available at the end of the day for which such reserve is maintained. The amount of the reserve required for such day under subdivision 1 shall be based upon the total deposits at the close of the previous business day. By appropriate action of the board of directors at any meeting, a bank, with subsequent 30 days notice to the commissioner as to the effective date, may exercise the option of adopting a bi-weekly period for the purpose of this subdivision which will end on Wednesday of alternate calendar weeks. At such a meeting and with the previous approval of

the commissioner, a bank may establish a biweekly period other than provided herein and with such effective date as the commissioner may prescribe. For each such biweekly period in which the average reserve shall become deficient, such bank shall pay a fine of \$50 or 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.

Subd. 3. State banks, change in requirements. Whenever the commissioner of banks shall determine that the maintenance of sound banking practices or the prevention of injurious credit expansion or contraction makes action advisable, he may make an order changing the requirements as to reserves against demand or time deposits, or both, in state banks which are not members of the Federal Reserve System. The reserve requirements established in any such order shall not be less than the requirements contained in subdivision 1, nor more than those required of member banks of the Federal Reserve System on the date that the order is made by the commissioner.

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.

Subd. 5. Savings certificates, when demandable. 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.

Subd. 6. Investment in short term federal obligations. Not more than 30 percent of a bank's reserves may be invested in obligations of the United States which mature within one year from the date such obligations are first considered as a part of the bank's reserve.

[*R L s 2996; 1915 c 362 s 1; 1931 c 93; 1951 c 66 s 1; 1953 c 36 s 1; 1959 c 88 s 7; 1961 c 298 s 2; 1963 c 153 s 5; 1965 c 171 s 12, 13, 14; 1967 c 102 s 5, 6; 1967 c 156 s 2*] (7680)

48.23 BANK NOT TO LEND ON ITS OWN STOCK OR PURCHASE SAME.

Any such bank shall make no loan or discount on the security of its own capital stock, nor be the purchaser or holder thereof, unless necessary to prevent loss upon a debt previously contracted in good faith, and all stock so acquired shall be disposed of, at public or private sale, within six months after it is so acquired.

[*R. L. s. 2992*] (7676)

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 20 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 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 8.

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, 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.

Subd. 3. Conditional sales contracts owned and guaranteed by the person discounting same, not to exceed 30 percent of the capital stock and surplus, taken from any one person, shall not constitute a liability within the meaning of this section, but the actual liabilities on such conditional sales contracts are not to be construed as affected by the provisions of this subdivision.

Subd. 4. Except as provided by subdivision 2 of this section, the total liability of any officer of a bank shall never exceed ten percent of the same aggregate amount stated in subdivision 1.

Conditional sales contracts owned and guaranteed by the person discounting same, when such person is an officer of the bank, not to exceed 20 percent of the capital and surplus, taken from any such person, shall not constitute a liability within the meaning of this section, but the actual liabilities on such conditional sales contracts are not to be considered to be otherwise affected thereby.

Subd. 5. Loans or obligations shall not be subject under this section to any limitation based upon such capital and surplus to the extent that they are secured or covered by guarantees, or by commitments or agreements to take over or to purchase the same, made by any Federal Reserve bank or by the United States or any department, bureau, board, commission, or establishment of the United States, including any corporation wholly owned directly or indirectly by the United States.

Subd. 6. The discount of the following classes of paper 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, city, borough, 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 certification of deposit, or savings certificates or both, or 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.

(6) Obligations representing loans from one business day to the next to any state bank or national banking association of excess reserve balances from time to time maintained under the provisions of Minnesota Statutes, Section 48.22, or of section 19 of the Federal Reserve Act, as amended, 12 U.S.C. sections 461 et seq.

Subd. 7. Obligations of any person, co-partnership, association or corporation in the form of notes or drafts secured by shipping documents or instruments transferring or securing title covering feeder livestock which is free from all other encumbrances, when the market value of the livestock securing the obligation at the time of the making of the loan is not less than 115 percentum of the face amount of the notes covered by such documents, shall be subject under this subdivision to a limitation of 20 percent of capital and surplus in addition to 20 percent of capital and surplus as included in provisions of subdivision 1 of this section. Feeder livestock loans as referred to in this subdivision is defined to include only obligations secured by liens or giving title to cattle, sheep, goats or hogs being fattened for market, but excluding dairy cattle, milk goats, poultry, or barnyard or work animals.

Subd. 7a. Pursuant to such regulations as the commissioner of banks finds to be necessary and proper, if any, the liability or obligation to a bank of any insurance company admitted and authorized to do business in this state shall not be subject under this section to any limitation based upon such capital and surplus to the extent that such insurance company issues policies or certificates of indemnity of mortgage guaranty insurance.

For the purposes of this subdivision "mortgage guaranty insurance" shall mean insurance against financial loss by reason of nonpayment of principal, interest and other sums agreed to be paid under the terms of any note, bond, mortgage, security agreement, or other instrument constituting a first lien, security interest or charge on real property or mobile homes.

Subd. 8. When a bank shall allow any individual, partnership, unincorporated association, or corporation, or any officer or director of the bank, to become indebted to it, directly or indirectly, in excess of the amount, exclusive of interest permitted by the laws of this state, the officer or employee of the bank wilfully permitting or approving the loan shall be guilty of a gross misdemeanor and, in addition thereto, shall be personally liable to the bank for the amount of the loan in excess of the statutory limit.

[*R L s 2993; 1907 c 156 s 1; 1911 c 160 s 1; 1919 c 103 s 1; 1927 c 258 s 1; 1931 c 9 s 1; Ex1934 c 70 s 1; 1943 c 23 s 1; 1945 c 62 s 1; 1947 c 82 s 1; 1957 c 601 s 13-16; 1959 c 88 s 8, 9, 17; 1963 c 153 s 6; 1965 c 171 s 15, 16, 17; 1967 c 102 s 7, 8; 1969 c 438 s 1, 2; 1969 c 772 s 3; 1971 c 100 s 1*] (7677)

48.245 WAR VETERAN, MINORITY; CONTRACT FOR LOAN. The disability of minority of any person otherwise eligible for guaranty or insurance pursuant to the Servicemen's Readjustment Act of 1944, as amended (P.L. 346, 78th Congress, as amended), the National Housing Act, as amended (P.L. 475, 81st Congress), or the Defense Housing and Community Facilities and Services Act of 1951, P.L. 139, 82nd Congress), and of the minor spouse of any eligible veteran irrespective of age, in connection with any transaction entered into pursuant thereto, is hereby removed for all purposes in connection with such transaction, including but not limited to incurring of indebtedness or obligations and acquiring, encumbering, selling, releasing, or conveying property or any interest therein and litigating or settling controversies arising therefrom, if all or part of any obligations incident to such transaction be guaranteed or insured by the administrator of Veterans Affairs pursuant to any act hereinbefore referred to; provided, that this section shall not be construed to impose any other or greater rights or liabilities than would exist if any such person were under no such disability.

[*1945 c 177 s 1; 1947 c 178 s 1; 1953 c 699 s 3*]

48.25 RATE OF INTEREST ON DEPOSITS. No state bank or trust company shall pay interest on deposits at a greater rate than established by directive of the commissioner of banks with due consideration of prevailing rates of interest and the maintenance of solvent, profitable operation of the banks, but at no time to exceed the applicable maximum rate then authorized by law to be paid upon such deposits by member banks of the federal reserve system.

[1929 c 144 s 1; 1959 c 88 s 10; 1965 c 894 s 1; 1969 c 772 s 4] (7699-13½)

48.26 APPLICATION. The provisions of section 48.25 and section 48.88, subdivision 2, shall not apply to any existing contract or to mutual savings banks.

[1929 c. 144 ss. 3, 4] (7699-13½b, 7699-13½c)

48.27 LIMITATION ON AMOUNT OF DEPOSITS. No bank or trust company organized under the laws of this state shall accept deposits in a sum exceeding 30 times the amount of its capital stock and its actual surplus.

[1927 c 325 s 1; 1943 c 342 s 2; 1945 c 73 s 1; 1947 c 11 s 1; 1949 c 24 s 1; 1959 c 88 s 11] (7699-12)

48.28 LIQUIDATION, UNLESS DEPOSITS ARE REDUCED. If any such bank or trust company shall violate the provisions of Minnesota Statutes 1945, Section 48.27, as amended, the commissioner of banks may take possession thereof and liquidate such corporation in accordance with law, unless said bank or trust company shall within 90 days after notice from the commissioner of banks reduce its deposits to the amount allowed by law or increase its capital stock accordingly.

[1927 c. 325 s. 2; 1943 c. 342 s. 1; 1945 c. 73 s. 2; 1947 c. 11 s. 2; 1949 c. 24 s. 2] (7699-13)

48.29 [Repealed, 1965 c 811 art 10 s 336.10-102]

48.30 DEPOSITS BY MINOR OR IN TRUST; JOINT DEPOSITS. Any deposit made in any bank or savings bank, by or in the name of a minor, shall be held for the exclusive right and benefit of the minor, free from the control or lien of all other persons, except creditors, and, together with the dividends or interest thereon, shall be paid to him, and his receipt, check, or acquittance in any form shall be a sufficient release and discharge to the bank for the deposit, or any part thereof, until a guardian appointed in this state for the minor shall have delivered to the bank a certificate of his appointment. When any deposit shall be made by any person in trust for another, and no other written notice of the existence and terms of any legal and valid trust shall have been given to the bank, in case of the death of the trustee, the same, or any part thereof, and the dividends or interest thereon, may be paid to the person for whom the deposit was made. When any deposit shall be made by or in the names of two or more persons upon joint and several account, the same, or any part thereof, and the dividends or interest thereon, may be paid to either of these persons or to a survivor of them, or to a personal representative of the survivor.

[R. L. s. 3019; 1907 c. 468 s. 6] (7711)

48.31 STATE BANKS ORGANIZED FROM NATIONAL BANKS. When any national bank authorized to dissolve has taken the necessary steps for that purpose, a majority of its directors, upon authority, in writing, of the owners of two-thirds of the capital stock and the approval of the commissioner, may execute a certificate of incorporation under the provisions of this chapter, which, in addition to the other requirements of law, shall state the authority derived from the stockholders of the national bank; and, upon recording and publishing this certificate, as provided by law, it shall become a legal state bank. Thereupon the assets, real and personal, of the dissolved bank, subject to its liabilities not liquidated under the federal law before this incorporation, shall vest in and become the property of the state bank.

[R. L. s. 3006] (7695)

48.32 STATE BANKS OR TRUST COMPANIES MAY BE MEMBERS OF FEDERAL RESERVE BANKS. Any incorporated state bank or trust company may become a member of the federal reserve bank of the federal reserve district in which the bank or trust company is located, and may invest in and hold stock therein.

[1915 c. 28 s. 1] (7649)

48.33 EXECUTION OF TRUST. When any state bank shall reorganize as a national bank, this national bank shall be regarded as continuing the existence of the state bank, and any officer of the bank elected to a corresponding office in this national bank shall be regarded as holding over as such state bank officer, for the

purpose of carrying out any duty or trust reposed in the person holding such office or his successor in the state bank as executor of a will or trustee of any trust; and his successors in office in the national bank shall be regarded as his successors in office in such state bank for the purpose of executing such will or performing such trust; and the executor of any will, or any trustee thereunder, who by such will has been directed or recommended to deposit the money of such estate or trust in this state bank, may deposit the same in the national bank under the same conditions as he might have deposited them in the state bank, and with the same immunity from responsibility for its safety.

[R. L. s. 3007] (7696)

48.34 BRANCH BANKS PROHIBITED. No bank or trust company organized under the laws of this state shall maintain a branch bank or receive deposits or pay checks within this state, except at its own banking house, and the commissioner shall take possession of and liquidate the business and affairs of any state bank or trust company violating the provisions of this section, in the manner prescribed by law for the liquidation of insolvent state banks and trust companies.

[1923 c. 170 s. 1] (7693)

48.35 CLEARING HOUSES. Clearing houses may make and enforce suitable provisions for effecting, at one place, daily exchanges and the settlement and adjustment of accounts between banks in the same locality and, under appropriate regulations, may issue clearing house certificates for those purposes only, and may otherwise act in maintaining and enforcing uniformity of methods and harmonious action in banking business.

[R. L. s. 3008] (7697)

48.36 APPLICATION. Any state bank having a capital and surplus of not less than \$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 \$250,000 and having its principal place of business in a municipality of 25,000 or more, but less than 200,000 inhabitants; and any state bank having a capital and surplus of not less than \$500,000 and having its principal place of business in a municipality of 200,000 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.

[1923 c 274 s 2; 1959 c 88 s 12; 1965 c 171 s 18] (7662)

48.37 CERTIFICATES FROM COMMISSIONER. In order to exercise the powers herein conferred, any such bank shall invest and keep invested in one or more of the first, second, third, fourth, seventh, and eighth classes of authorized securities, at least 50 percent of its capital if its capital be less than \$200,000, or at least 25 percent of its capital if its capital be \$200,000 or more, which securities in the amounts above provided shall be duly assigned, transferred to, and deposited with the commissioner, and shall be maintained unimpaired as a guaranty fund for the integrity of its trusts and for the faithful discharge of its duties, in connection

therewith, with the right to the bank to collect the income thereof and to substitute other like authorized securities of equal amount and value. The commissioner shall carefully examine the securities offered for deposit and, if they comply with all the provisions of law applicable thereto, and, if the bank making such deposit shall possess the qualifications stated in section 48.36, he shall issue to the bank a certificate stating that it is qualified to exercise the powers herein conferred, and, upon the issuance of this certificate and while the same remains in force, the bank may exercise the powers and privileges conferred by sections 48.36 to 48.43.

In case of any increase in the capital of any bank which has qualified hereunder, this certificate shall be and become revoked and the bank shall not thereafter exercise the powers herein conferred until it shall have deposited the required proportion of its capital in authorized securities and received a new certificate that it is qualified hereunder.

[1923 c. 274 s. 2] (7662)

48.38 POWERS AND DUTIES. Subdivision 1. Any such bank which has complied with the terms of sections 48.36 to 48.43, and holds a certificate as above provided, may exercise the powers and privileges set forth in this section.

Subd. 2. It may take and hold in trust any real or personal property, wherever situated, by order, judgment, or decree of any court, or by gift, grant, assignment, transfer, devise, legacy, or bequest from, or by lawful contract with, any public or private corporation or any individual or copartnership, and manage the same upon the terms and conditions therein declared or imposed; it may act as agent for the signatures, countersignatures, registration, transfer, or redemption of certificates of stock, bonds, coupons, or other evidences of indebtedness, and as trustee under mortgages in the form of trust deeds, and may otherwise act as general or special agent or attorney in fact in the acquisition, management, sale, assignment, transfer, encumbrance, conveyance, or other disposition of any real or personal property, in the collection of rents, payment of taxes, and generally as the representative of any person, corporation, or copartnership; it may guarantee the title to securities sold and transferred by it.

Subd. 3. It may take and hold on deposit or for safe-keeping, money, bonds, stocks, or other securities, or personal property, which any public officer or any trustee or other legal representative or any public or private corporation or any person may desire, or may be authorized, ordered, or otherwise required by law to deposit in a safe depository or to pay into any court of record, and the same may, instead thereof, be deposited with such bank, and where the deposit is made pursuant to order of court in such bank as the court shall designate and depositor takes the receipt of such bank therefor, thereupon the depositor and his sureties shall be relieved from liability thereafter accruing on account thereof, so long as the deposits continue.

Subd. 4. It may act as assignee under any assignment for the benefit of creditors, or be appointed as a trustee, receiver, guardian, executor, or administrator, and may accept and perform any other lawful trust conferred by any court or by any corporation or individual. In the acceptance and performance of any such trust no oath or security shall be required.

Subd. 5. When any judge or court having jurisdiction deems it expedient, the judge or court may direct any executor, administrator, guardian, assignee, receiver, or other trustee to deposit with the bank any securities belonging to the trust subject to the order of the trustee when countersigned by the judge of the court, and the court may fix the security to be given by the trustee with reference only to the remainder of the trust estate. No such securities shall be withdrawn nor any part of the principal or interest thereof collected, except by an officer of the bank, without the order of a judge of the court duly entered and certified, upon satisfactory proof that additional security has been furnished by the trustee or that the estate or fund has been so reduced that the deposit is no longer required.

Subd. 6. It 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 at the time made and for the safe-keeping of these securities and the evidences thereof. When special directions are given in any order, judgment, decree, will, or other written instrument as to the particular manner or the par-

ticular class or kind of securities or property in which any investment shall be made, it shall follow this direction and, in such case, it shall not be further responsible by reason of the performance of the trust.

It may, in its discretion, retain and continue any investment and security or securities coming into its possession in any fiduciary capacity. For the faithful discharge of its duties and the discharge of its trust, it shall be entitled to reasonable compensation or such amount as has been or may be agreed upon by the parties and all necessary expenses, with legal interest thereon.

No compensation or commission paid or agreed to be paid to it for the negotiation of any loan or the execution of any trust shall be deemed interest within the meaning of the law, nor shall any excess thereof over the legal rate be deemed usury.

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 in any one trust account, may be invested in certificates of deposit or savings accounts in the same bank, or 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.

Subd. 8. It may invest its funds in authorized securities, as defined by law, and the provisions of section 48.24 limiting the amount of liability of any person, corporation, or copartnership, with reference to a percentage of the capital and surplus of the bank, shall not apply to its investments in authorized securities.

[1923 c 274 s 3; 1957 c 601 s 17; 1963 c 153 s 7; 1965 c 171 s 19; 1967 c 229 s 1] (7663)

48.39 TRUST ACCOUNTS RECORDED. Besides its general books of account, it shall keep separate books of account for all fiduciary accounts. All funds and property held by it in a fiduciary capacity shall at all times be kept separate from its own funds and property, and all fiduciary funds deposited or held as fiduciary by the bank awaiting investment shall be carried in a separate account, and shall not be used by the bank in the conduct of its business, unless the bank, under authorization by its board of directors, first delivers to the Commissioner of Banks, as collateral security: (1) bonds, notes, bills, certificates of indebtedness or other direct obligations of the United States or its instrumentalities, or obligations fully guaranteed by the United States as to principal and interest; or (2) other readily marketable securities of the classes in which said trust companies or state banks exercising trust powers are authorized or permitted to invest trust funds under the laws of this state. The securities so deposited as collateral shall be owned by the bank and shall at all times be at least equal in market value to the amount of the trust funds so used in the conduct of the bank's business, and all deposits made by it of such funds in any other banking institutions shall be deposited as fiduciary funds, to its credit as fiduciary, and not otherwise. Every security or property in which the funds held by it as trustee, executor, administrator, guardian, receiver, or assignee, or in any other fiduciary capacity are invested, shall at once upon receipt thereof be immediately entered in the proper books as belonging to the particular fiduciary account whose funds have been invested therein. Any change in such investment shall be fully specified in and under the account of the particular fiduciary account to which it belongs so that all fiduciary funds and property can be readily identified at any time by any person. It shall be unlawful for any bank to lend any officer, director or employee any funds held as fiduciary under the powers conferred by sections 48.36 to 48.43. Any officer, director or employee to whom such a loan is made shall be guilty of theft of the amount of such loan from the time of the making thereof. Any state bank, when acting in a fiduciary capacity, either alone or jointly with an individual or individuals, may, with the consent of such individual fiduciary or fiduciaries, who are hereby authorized to give such consent, cause any stocks, securities, or other property now held or hereafter acquired in such capacity to be registered and held in the name of a nominee or nominees of such state bank without mention of the fiduciary relationship. Any such state bank shall be liable for any loss occasioned by the acts of any of its nominees with respect to such stocks, securities or other property so registered.

[1923 c 274 s 4; 1943 c 338 s 1; 1957 c 311 s 1; 1965 c 35 s 2] (7664)

48.40 SUBJECT TO ORDERS OF COURT. Every such bank shall be subject at all times to the orders of any court from which it shall have accepted any trust or appointment and shall render to the court such itemized and verified accounts and reports as may be required by law or the court. In addition to other reports required by law, it shall render to the commissioner, at such times as he may direct, full and itemized reports of investments, trust funds, and other business performed under the provisions hereof, and a condensed statement of the report, either separately stated or consolidated with the other reports required of it by law, shall be published as required by law.

[1923 c. 274 s. 5] (7665)

48.41 CORPORATE NAME. Any such bank which has qualified and obtained a certificate, as provided in sections 48.36 to 48.43, may use in its corporate name or title, in addition to the word "bank" or other words now permitted by law, the words "trust" or "trust company," and may display and make use of signs, symbols, tokens, letterheads, cards, circulars and advertisements stating or indicating that it is authorized to transact the business authorized by said sections, and any such bank using the words "trust" or "trust company" is not required to use the word "state" in its corporate name.

[1923 c. 274 s. 6] (7666)

48.42 BANK MAY BE DESIGNATED AS SAVINGS BANK. Any state bank which has qualified under sections 48.36 to 48.43 and obtained the certificate therein provided, and which has established and maintains a savings department, may use in its name or title, in addition to other words permitted by law, the words "savings" or "savings bank." Savings deposits received by any such state bank using the words "savings" or "savings bank" in its corporate name or title, shall be invested only in authorized securities, as defined by law, and the bank shall keep in hand at all times, in addition to the securities required to be deposited under the provisions of section 48.37, such securities as deposits in savings banks may be invested in to an amount at least equal to the savings deposits, and these securities to the amount of these deposits shall be representative of and the fund for and applicable first and exclusively to the payment of the savings deposits. Deposits received by the bank subject to its right to require notice of withdrawal evidenced by pass books, shall be deemed savings deposits.

[1923 c. 274 s. 7] (7667)

48.43 BANKS MAY CEASE OPERATIONS; DUTIES OF COMMISSIONER. Any state bank which has qualified hereunder may at any time notify the commissioner, in writing, that it intends to cease to operate under the provisions of sections 48.36 to 48.43, and thereupon the certificate issued to it, as provided in sections 48.36 to 48.43, shall be canceled and revoked, and the bank shall thereafter exercise no power or privilege except those permitted to state banks which have not qualified hereunder, and the securities deposited with the commissioner, as provided in section 48.37, shall forthwith be reassigned and returned to the bank; provided, that no part of the deposited securities shall be so returned until the bank shall have eliminated from its corporate name the words "trust," "trust company," or "savings," nor until it has ceased to hold any trust or trust office authorized by sections 48.36 to 48.43, nor until all its accounts in any such trust shall have been settled and allowed and all property held in trust by it delivered to the persons entitled thereto, nor until all liabilities incurred by it as trustee, agent, or otherwise, under the provisions of sections 48.36 to 48.43, and which it could not have incurred unless qualified thereunder, shall have been discharged; provided, further, that if the amount of all these liabilities, or the maximum limit thereof, has been or can be definitely ascertained, the commissioner may retain only such part of the deposited securities as shall be at least equal to and as shall be in his opinion sufficient to liquidate the same. If any such bank so surrendering its powers hereunder shall have heretofore used the word "savings" in its corporate name, the provisions of section 48.42, relating to the investment of savings deposits and the rights of such depositors, shall remain operative as to all savings deposits on hand at the date of surrendering such certificate and until the savings deposits shall have been paid to the persons entitled thereto.

[1923 c. 274 s. 8] (7668)

48.44 BANKS MAY ORGANIZE AS TRUST COMPANY. Hereafter state banks which may be organized in the manner now provided by law may be organized with

the additional authority to exercise the fiduciary powers and privileges set out in section 48.38; provided, that the capital and surplus of any such bank shall not be less than \$200,000, if its principal place of business is to be located in a municipality of less than 25,000 inhabitants, and that the capital and surplus of any such bank shall not be less than \$250,000, if its principal place of business is to be located in a municipality of 25,000 or more but less than 200,000 inhabitants, and that the capital and surplus of any such bank shall not be less than \$500,000, if its principal place of business is to be located in a municipality of 200,000 or more inhabitants.

[1931 c 267 s 1; 1969 c 772 s 5] (7661-1)

48.45 CORPORATE NAMES. Any such bank may be organized with a corporate name which may include the words "trust" or "trust company," in addition to the word "bank" or other words now permitted by law, and the word "state" shall not be a required part of the corporate name of any such state bank.

[1931 c. 267 s. 2] (7661-2)

48.46 AUTHORIZED SECURITIES PURCHASED. No state bank hereafter organized with authority to exercise fiduciary powers pursuant to the provisions of sections 48.44 to 48.46, the corporate name of which contains the words "trust" or "trust company," shall transact any banking or trust company business until it shall have invested in and assigned, transferred to, and deposited with the commissioner the authorized securities described in and required by section 48.37, relating to the authorization of existing state banks to exercise such fiduciary powers, and until the commissioner of banks has issued the certificate provided by section 47.16, and a certificate stating that such bank is qualified to exercise the fiduciary powers set forth in section 48.38.

[1931 c. 267 s. 3] (7661-3)

48.47 BANKING AND TRUST COMPANY BUSINESS. After the application of the corporation shall have been favorably acted on by the department in compliance with section 45.03, and upon compliance with the terms hereof and the issuance of such certificates, the bank may commence the transaction of banking and trust company business and may exercise, in addition to all the powers and privileges conferred by law on state banks, the powers and privileges set forth in section 48.38, and the bank shall thereafter comply with and be subject to all of the provisions of law relating to state banks exercising such fiduciary powers and privileges.

[1931 c. 267 s. 4] (7661-4)

48.48 REPORTS TO COMMISSIONER. Subdivision 1. At least three times in each year, and at any other time when so requested by the commissioner, every bank shall, within fifteen days of the date of notice, make and transmit to him, in such form as he shall prescribe, a report, verified by its president or vice-president and by its cashier, and attested by at least two of its directors, stating in detail, under appropriate heads, as required by the commissioner, its assets and liabilities at the close of business on the day specified in the request. This statement shall be published once at the expense of the bank in a newspaper of the county of its location, and proof thereof filed immediately with the commissioner. A bank located in a municipality, the corporate limits of which extend into two or more counties, may publish its report in a newspaper of either of the counties.

Subd. 2. For failure to send such reports to the commissioner in the time specified, such bank shall forfeit to the state the sum of \$25 for each day of such delay and shall pay the accumulated sum to the commissioner on his making a formal demand for payment. If it appears that such a report was mailed by a bank on or before the end of the 15 day period, the commissioner shall waive any such forfeit. In the event it does not appear that such a report was timely mailed, the commissioner may nevertheless waive such forfeit upon a showing by the bank to the satisfaction of the commissioner that such failure was the result of causes beyond the control of the bank.

[R L s 2990; 1949 c 35 s 1; 1951 c 65 s 1; 1961 c 298 s 3; 1963 c 153 s 8] (7674)

48.49 BOOKS TO BE KEPT. Every such bank shall open and keep such books and accounts as the commissioner may prescribe, for the purpose of keeping accurate and convenient records of its transactions; and every bank refusing or neglecting so to do shall forfeit \$10 for every day of such neglect or refusal.

[R. L. s. 2991] (7675)

48.50 DEMAND DEPOSITS; INTEREST. No bank shall, directly or indirectly, by any device, pay any interest on any deposit which is payable on demand.

[1937 c 403 s 1; 1957 c 601 s 19] (7697-10)

48.51 DEMAND DEPOSITS DEFINED. For the purpose of sections 48.50 and 48.51, all deposits are payable on demand except:

(1) Those deposits which are evidenced by a negotiable or non-negotiable instrument which provides on its face that the amount of the deposit is payable:

(a) on a certain date, specified in the instrument, not less than 30 days after the date of the deposit; or (b) at the expiration of a specified period not less than 30 days after the date of the instrument; or (c) upon written notice to be given not less than 30 days before the date of repayment.

(2) Those deposits which may not be withdrawn within 30 days of the making thereof.

(3) Those deposits which may not be withdrawn within 30 days of the giving of notice of an intended withdrawal.

[1937 c. 403 s. 2] (7697-11)

48.515 [Repealed, 1965 c 811 art 10 s 336.10-102]

48.518 [Repealed, 1965 c 811 art 10 s 336.10-102]

48.521 [Repealed, 1969 c 725 s 32]

48.522 [Repealed, 1969 c 725 s 32]

48.523 [Repealed, 1969 c 725 s 32]

48.524 [Repealed, 1969 c 725 s 32]

48.525 [Repealed, 1969 c 725 s 32]

48.526 [Repealed, 1969 c 725 s 32]

48.527 [Repealed, 1969 c 725 s 32]

48.528 [Repealed, 1969 c 725 s 32]

48.53-48.55 [Repealed, 1943 c 620 s 9]

48.56 BANKING INSTITUTIONS MAY USE FEDERAL BANKING ACT. Any banking institution now or hereafter organized under the laws of this state is hereby empowered, on the authority of its board of directors, or a majority thereof, to enter into such contracts, incur such obligations and generally to do and perform any and all such acts and things as may be necessary or appropriate in order to take advantage of any and all memberships, loans, subscriptions, contracts, grants, rights, or privileges which may at any time be available or enure to banking institutions or to their depositors, creditors, stockholders, receivers, or liquidators, by virtue of those provisions of Section 8 of the federal "Banking Acts of 1933" [Sec. 12B of the federal reserve act, as amended (Mason's U. S. Code Anno., title 12, s. 264)], which establish the federal deposit insurance corporation and provide for the insurance of deposits, or of any other provisions of that or of any other act or resolution of congress to aid, regulate, or safeguard banking institutions and their depositors, including any amendments of the same or any substitutions therefor; and to subscribe for and acquire any stock, debentures, bonds, or other types of securities of the federal deposit insurance corporation, and to comply with the lawful regulations and requirements from time to time issued or made by such corporation.

[1935 c. 319 s. 2] (7658-7)

48.57 FEDERAL DEPOSIT INSURANCE CORPORATION AS RECEIVER OR LIQUIDATOR. The Federal Deposit Insurance Corporation created by Section 12B of the Federal Reserve Act, as amended, upon appointment by the commissioner, is hereby authorized and empowered to act without bond as receiver or liquidator of any banking institution, the deposits in which are to any extent insured by this corporation, and which shall have been closed on account of inability to meet the demands of its depositors.

Notwithstanding any other provision of law the appropriate state authority having the right to appoint a receiver or liquidator of a banking institution may, in the event of such closing, tender to the corporation the appointment as receiver or liquidator of the banking institution; and, if the corporation accepts the appointment, the corporation shall have and possess all the powers and privileges provided by the laws of this state with respect to a receiver or liquidator, respectively, of a banking institution, its depositors, and other creditors.

[1939 c. 301 s. 1] (7690-31)

48.58 RIGHT OF SUBROGATION. When any banking institution shall have been closed, and the federal deposit insurance corporation shall have paid or made available for payment the insured deposit liabilities of the closed institution, the corporation, whether or not it has or shall thereafter become a liquidating agent of the closed institution, as hereinafter provided, shall be subrogated, by operation of law with like force and effect as if the closed institution were a national bank, to all rights of the owners of these deposits against the closed banking institution in the same manner and to the same extent as now or hereafter necessary to enable the federal deposit insurance corporation under federal law to make insurance payments available to depositors of closed insured banks; provided, that the rights of depositors and other creditors of the closed institution shall be determined in accordance with the laws of this state. The commissioner may, in his discretion, in the event of the closing of any banking institution by reason of inability to meet the demands of its depositors, the deposits of which banking institution are to any extent insured by the corporation, tender to the corporation the appointment as liquidating agent of this banking institution and, if the corporation accepts the appointment, it shall have and possess all the powers and privileges provided by the laws of this state with respect to a special deputy examiner of the banking division of the department in the management and liquidation of this institution, and be subject to all of the duties of the special deputy examiner; provided, that nothing herein contained shall be construed as a surrender of the right of the commissioner to liquidate banking institutions under his supervision pursuant to the statute in such case made and provided; and the commissioner is hereby authorized and empowered to waive the filing of a bond by the corporation as such special deputy examiner.

[1935 c. 319 s. 3; 1937 c. 404 s. 1] (7658-8)

48.59 COMMISSIONER MAY ACCEPT EXAMINATIONS AND REPORTS OF CORPORATION. Subdivision 1. The commissioner is authorized to accept, in his discretion, in lieu of any examination authorized by the laws of this state to be conducted by his department of a banking institution, the examination that may have been made of same within a reasonable period by the federal deposit insurance corporation, or the federal reserve bank, provided a copy of this examination is furnished to the commissioner. The commissioner may also, in his discretion, accept any report relative to the condition of a banking institution which may have been obtained by the corporation within a reasonable period, in lieu of a report authorized by the laws of this state to be required of the institution by his department, provided a copy of this report is furnished to the commissioner.

Subd. 2. The commissioner may furnish to the corporation, or to any official or examiner thereof, a copy or copies of any or all examinations made of any such banking institutions any deposits of which are insured by the corporation and of any or all reports made by same, and shall give access to and disclose to the corporation, or any official or examiner thereof, any and all information possessed by the office of the commissioner with reference to the conditions or affairs of any such insured institution.

Subd. 3. Nothing in this section shall be construed to limit the duty of any banking institution in this state, deposits of which are to any extent insured under the provisions of Section 8 of the "Banking Act of 1933" [Section 12B of the federal reserve act, as amended (Mason's U. S. Code Anno., title 12, s. 264)], or of any amendment of or substitution for the same, to comply with the provisions of that act, its amendments or substitutions, or requirements of the corporation relative to examinations and reports, nor to limit the powers of the commissioner with reference to examinations and reports under any law of this state.

[1935 c. 319 s. 4; 1957 c. 601 s. 20] (7658-9)

48.60 COMMISSIONER MAY BORROW MONEY. With respect to any banking institution which is now or may hereafter be closed on account of inability to meet the demands of its depositors or by action of the commissioner or of a court or by action of its directors, or, in the event of its insolvency or suspension, the commissioner may borrow from the corporation and furnish any part or all of the assets of the institution to the corporation as security for a loan from same. The order of a court of record of competent jurisdiction shall be first obtained approving this loan. The commissioner, upon the order of a court of record of competent jurisdiction, may sell to the corporation any part or all of the assets of the institution.

The provisions of this section shall not be construed to limit the power of any

banking institution, or the commissioner, to pledge or sell assets in accordance with any other law of this state.

[1935 c. 319 s. 5] (7658-10)

48.605 STATE BANKS, EMPLOYEE STOCK OPTION AND STOCK PURCHASE PLANS. Subdivision 1. Any state bank may grant options to purchase, sell, or enter into agreements to sell shares of its capital stock to its employees, for a consideration of not less than 100 percent of the fair market value of the shares on the date the option is granted or, if pursuant to a stock purchase plan, 85 percent of the fair market value on the date the purchase price is fixed, pursuant to the terms of an employee restricted stock option plan or employee stock purchase plan which has been adopted by the board of directors of the bank and approved by the holders of at least three fourths of the outstanding shares of the bank entitled to vote and by the commissioner of banks. Stock options issued hereunder shall not extend beyond a period of ten years from date of issuance and shall otherwise qualify as restricted stock options under the Internal Revenue Code, and acts amendatory thereof, and Minnesota Statutes, Section 290.0781.

Subd. 2. Employee stock options and stock purchase agreements may provide that options may be exercisable or that shares may be purchased on any business day.

Subd. 3. Any state bank to carry out the provisions of this section, may increase its capital stock as provided by law and upon approval of the commissioner of banks as provided by Minnesota Statutes 1961, Section 48.04, except that the provisions of said section requiring the entire new capital to be immediately paid in cash shall not apply. Notwithstanding any law to the contrary the bank may hold such authorized but unissued new capital stock but only for the purpose of disposing of the same by the issuing of shares to its employees as authorized by this section. All proceeds from the issuance and sale of such shares shall be paid into the capital and surplus of the bank. Stock and options issued pursuant to this section shall not increase the capital or surplus of the bank until the stock is paid for in full in cash and certified to the commissioner.

[1965 c 369 s 1; 1969 c 6 s 8]

48.61 AUTHORIZED INVESTMENTS FOR STATE BANKS AND TRUST COMPANIES. Subdivision 1. Any bank or trust company organized under the laws of this state is authorized to invest not to exceed ten percent of its capital in the capital stock of any agricultural credit corporation organized under the laws of this state, and entitled to discount privileges with any federal intermediate bank organized under the laws of the United States.

Subd. 2. Any such bank or trust company may invest not to exceed two percent of its capital and surplus in shares of stock in small business investment companies organized under the provisions of the small business investment act of 1958.

[1935 c 174; 1963 c 153 s 9; 1969 c 772 s 6] (7677-1)

48.62 BANKS MAY ISSUE NOTES OR DEBENTURES. With the approval of the commissioner any banking institution may, at any time, through action of its board of directors and without requiring any action of its stockholders, issue and sell its capital notes or debentures. These capital notes or debentures shall be subordinate and subject to the claims of depositors and may be subordinated and subjected to the claims of other creditors.

In determining whether the capital of any banking institution is impaired, outstanding capital notes or debentures, legally issued by the institution and sold by it to the reconstruction finance corporation, shall not be considered as liabilities of the institutions, but for all other purposes they shall be, and shall be considered as, liabilities of the institution.

No capital notes, or debentures, shall be retired or paid by any such institutions if this retirement or payment would impair the capital of the institution.

These capital notes or debentures shall in no case be subject to any assessment. The holders of the capital notes or debentures shall not be held individually responsible, as holders, for any debts, contracts, or engagements of the institutions, and shall not be held liable for assessments to restore impairments in the capital of the institution.

Any required reserve established for the retirement of capital notes or debentures

tures may be considered as surplus, and the term "surplus" in any laws of this state pertaining to state banks shall be deemed to include such reserve, if an agreement is filed with the commissioner to transfer such reserve to surplus upon the request of the commissioner after the capital notes or debentures have matured.

[1935 c 305 s 1; 1967 c 102 s 9] (7697-7)

48.63 BANKS NEED NOT GIVE SECURITY FOR DEPOSITS. Notwithstanding any provisions of law of this state requiring security for deposits in any bank or trust company in the form of collateral, surety bond or any other form, security for such deposits shall not be required to the extent the deposits are insured under the provisions of Section 12B of the federal reserve act, as amended (Mason's U. S. Code Anno., title 12, s. 264), or any amendments thereto.

[1935 c. 317 s. 1] (7697-8)

48.64 DEPOSITS OF TRUST FUNDS. Any person, firm, or corporation appointed by a court of competent jurisdiction as representative of the estate of a deceased person, or as guardian, or any trustee of a firemen's relief association, or any referee, receiver, or trustee appointed by a court of record in this state, may deposit the funds coming into his or its possession for safe-keeping and disbursing, unless otherwise directed by the court, in any bank or trust company, however organized, the deposits of which are insured, in whole or in part, by the federal deposit insurance corporation, to the extent that the funds so deposited are fully insured.

[1937 c. 318 s. 1] (7697-9)

48.65 TRUST COMPANIES TO COMPLY WITH CERTAIN LAWS. No trust company of this state shall conduct a banking business, as defined in section 47.02, without fully complying with the provisions of section 48.22 relating to the reserve requirements of the state banks.

[1919 c. 117 s. 1] (7726)

48.66 NATIONAL BANKS MAY ACT AS FIDUCIARIES. Any national bank in this state granted a special permit by the federal reserve board to act in a fiduciary capacity under the provisions of sub-section K of section 11 of the federal reserve act, as amended by the act of September 26, 1918, may assign, transfer to, and deposit with the commissioner, and procure his certificate therefor, the kinds and amounts of authorized securities required of a trust company in a city or village wherein the national bank is located, by section 48.67; provided, that such national bank which has a capital of \$500,000 or over shall not be required to deposit these securities for more than ten per cent of this capital. The securities so deposited shall be held and maintained as a guaranty fund for the national bank for the performance of its duties in such fiduciary capacity.

When such national bank has complied with section 48.67, no oath or security shall be required of it in the acceptance and performance of any such trust, as provided in section 48.79.

[1921 c. 490 s. 1] (7727)

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 \$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 200,000 inhabitants, shall not be less than \$250,000; 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 \$500,000. 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 have been paid in, cash, and at least 25 percent of the capital 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 commis-

sioner, 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 \$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 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.

[*R L s 3033; 1907 c 225 s 1; 1911 c 314 s 1; 1927 c 323 s 1; 1931 c 375 s 1; 1935 c 339 s 1; 1965 c 171 s 20*] (7728)

48.68 DIRECTORS; QUALIFICATIONS; VACANCIES, HOW FILLED. Each director of a trust company shall own at least \$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.

[*R L s 3034; 1919 c 30 s 1; 1965 c 171 s 21*] (7729)

48.69 CERTAIN TRUST COMPANIES MAY ASSUME POWERS OF STATE BANKS. Any trust company organized under the laws of this state, and having a capital of not less than \$50,000, may exercise the powers and privileges conferred by sections 48.69 to 48.73, in addition to all other powers granted by law, upon complying with the conditions and requirements specified in sections 48.69 to 48.73.

[1929 c. 90 s. 1] (7733-1)

48.70 CERTIFICATES TO BE AMENDED. In order to exercise such powers as may be granted in sections 48.69 to 48.73, any such trust company may amend its certificate of incorporation so as to assume the additional powers of a state banking corporation. This amendment may include the change of the corporate name of the trust company so as to include the words "state bank" therein. Such

trust company shall display in its place of business, the certificate of such authorization issued by the commissioner of banks.

[1929 c. 90 s. 2; 1945 c. 91 s. 1] (7733-2)

48.71 DEPARTMENT TO APPROVE CERTIFICATES. Amendments to the certificate of incorporation shall be made in accordance with section 300.45 and before becoming effective these amendments must be approved by the department and the approval endorsed upon the certificate of amendment.

[1929 c. 90 s. 3] (7733-3)

48.72 APPLICATION. In considering the application of a trust company to assume the powers of a state bank, the department shall proceed in the same manner and be governed by the same laws which are now applicable to application for charters for new state banks.

[1929 c. 90 s. 4] (7733-4)

48.73 POWERS AND DUTIES OF TRUST COMPANIES. Upon complying with the terms of sections 48.69 to 48.73, the trust company shall have all the powers and privileges of a state bank not heretofore granted to trust companies, and shall become subject to and comply with all the provisions of the laws of this state in relation to state banks.

[1929 c. 90 s. 5] (7733-5)

48.74 FUNDS AND PROPERTY HELD IN FIDUCIARY CAPACITY. Besides its general books of account, it shall keep separate books for all fiduciary accounts. All funds and property held by it in a fiduciary capacity shall at all times be kept separate from its own funds and property, and all fiduciary funds deposited or held as fiduciary by the bank awaiting investment shall be carried in a separate account, and shall not be used by the bank in the conduct of its business, unless the bank, under authorization by its board of directors, first delivers to the commissioner of banks, as collateral security: (1) bonds, notes, bills, certificates of indebtedness, or other direct obligations of the United States or its instrumentalities, or obligations fully guaranteed by the United States as to principal and interest; or (2) other readily marketable securities of the classes in which said trust companies or state banks exercising trust powers are authorized or permitted to invest trust funds under the laws of this state. Every security or property in which the funds held by it as trustee, executor, administrator, guardian, receiver, or assignee, or in any other fiduciary capacity are invested, shall at once upon receipt thereof be immediately entered in the proper books as belonging to the particular fiduciary account whose funds have been invested therein. Any change in such investment shall be fully specified in and under the account of the particular fiduciary account to which it belongs, so that all fiduciary funds and property can be readily identified at any time, by any person. Any trust company incorporated under the laws of this state and any national banking association authorized to act in a fiduciary capacity in this state, when acting in a fiduciary capacity, either alone or jointly with an individual or individuals, may, with the consent of such individual fiduciary or fiduciaries, who are hereby authorized to give such consent, cause any stocks, securities, or other property now held or hereafter acquired in such capacity to be registered and held in the name of a nominee or nominees of such corporate fiduciary without mention of the fiduciary relationship. Any such corporate fiduciary shall be liable for any loss occasioned by the acts of any of its nominees with respect to such stocks, securities or other property so registered.

[R L s 3044; 1943 c 339 s 1; 1959 c 88 s 14] (7739)

48.75 PROHIBITED DEALINGS AND INDEBTEDNESS. Trust companies shall not engage in any banking, mercantile, manufacturing, or other business, except such as is herein expressly authorized for such a corporation. It shall not lend its funds, moneys, capital, trust funds, or any other property whatsoever, to any director, officer, agent, or employee, nor shall any such director, officer, agent, or employee become in any manner indebted to it by means of any overdraft, promissory note, account, endorsement, guaranty, or any other contract; and any such director, officer, agent, or employee who shall become so indebted to it shall be guilty of theft of the amount of such indebtedness from the time of its creation.

[R L s 3045; 1965 c 35 s 3] (7740)

48.76 POWERS OF COURT; ANNUAL REPORT TO THE COURT AND TO THE COMMISSIONER. Every such corporation shall be subject at all times to

the further orders, judgments, and decrees of any court of record from which it shall have accepted any trust, appointment, or commission as to such trust, and shall render to such court such itemized and verified accounts, statements, and reports as may be required by law, or as the court shall order as to a particular trust. Every such corporation shall also be subject to the general jurisdiction and authority of the district court of the county of its principal place of business. On or before June 30 in each year, every such corporation shall render to the commissioner a full and detailed account of its condition, and such further accounts, either in full or in part, or in relation to any particular investments, trusts, funds, or other business, as the commissioner may, from time to time, direct or request; and a condensed statement of the annual account, together with a list of its board of directors, approved by the commissioner, shall be published by the corporation in a newspaper of the county of its principal place of business.

[R. L. s. 3046] (7741)

48.77 PROCEDURE UPON VIOLATION OF LAW OR INSOLVENCY. The directors and managing officers of any such corporation, when satisfied that it is, or is about to become, insolvent, shall immediately report that fact to the commissioner; and when the commissioner shall be satisfied from that report, or from any examination made by him, that it is conducting its business in an unlawful or unsafe manner, or that it is insolvent, he may at once take possession of its books, records, and assets, which shall not be subject to any levy or attachment, nor shall any application for a receiver be entertained by any court, during such reasonable time as may be necessary for further examination. If, upon this examination, it shall appear to the commissioner that its business is being conducted in a safe and lawful manner and that all creditors, except those represented by stock, can be paid in full from the assets, he may relinquish possession of its assets to its directors and officers; otherwise he shall apply to a court for the appointment of a receiver, who shall take possession of all its books, records, and assets, and close up its affairs under the direction of the court; provided, that if at any stage of the proceedings the directors or stockholders shall satisfy the court that the corporation is able to pay all creditors, other than themselves, if the showing is approved, after investigation by the commissioner, the court may order the return of the assets to the company for liquidation or such other course as the stockholders, in compliance with law, may determine; and in such case the receiver shall be discharged.

[R. L. s. 3047] (7742)

48.78 AGENT OR ATTORNEY IN FACT, ACTING AS. Any trust company may take and hold in trust any real or personal property, wherever situated, by order, judgment, or decree of any court of record, or by gift, grant, assignment, transfer, devise, legacy, or bequest from, or by lawful contract with, any public or private corporation or individual, and manage the same upon the terms, conditions, limitations, and restrictions therein declared or imposed. The trust company may also act as agent for the signature, countersignature, registration, transfer, or redemption of certificates of stock, bonds, coupons, or other evidences of indebtedness of any such corporation or individual, or otherwise act as general or special agent or attorney in fact in the acquisition, management, sale, assignment, transfer, incumbrance, conveyance, or other disposition of any real or personal property, the collection of rents, payment of taxes, and generally as the representative of any such corporation or individual.

[R. L. s. 3036] (7731)

48.79 ACTING AS ASSIGNEE, RECEIVER, OR EXECUTOR. Any trust company may 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 may accept and perform any other lawful trust conferred by any court, or by any corporation or individual. In the acceptance and performance of any such trust, no oath or security shall be required.

[R. L. s. 3038] (7733)

48.80 COMPENSATION; COMMISSION NOT DEEMED INTEREST. For the faithful performance of its duties and discharge of its trust, any trust company shall be entitled to reasonable compensation, or such amount as has been or may be agreed upon by the parties, and all necessary expenses, with legal interest thereon, unless otherwise agreed upon. No compensation or commission paid or agreed to be paid by it for the negotiation of any loan, or the execution of any trust,

shall be deemed interest within the meaning of the law, nor shall any excess thereof over the legal rate be deemed usury.

[*R. L. s. 3042*] (*7737*)

48.81 INVESTMENT POWERS; LIMITATION. 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 securities, and sell and assign the same, and convert them into cash or into other authorized securities, or securities and property not herein expressly prohibited, provided that the investment of funds owned by a trust company, as distinguished from funds held by it in trust, shall be restricted to authorized securities. It may guarantee a title to securities sold and transferred by it; may become sole surety upon any bond provided that, as to trust companies organized after April 10, 1965, 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.

[*R L s 3035; 1965 c 171 s 22; 1969 c 772 s 7*] (*7730*)

48.82 DEPOSITS OF TRUST AND OTHER FUNDS RECEIVED. Any trust company may act as a depository or accept for safe-keeping money, bonds, stocks, and other securities or personal property which any public officer, or any trustee or other legal representative, or any public or private corporation or person, shall be authorized, ordered, or otherwise required by law to deposit in a bank or other safe depository, or to pay into any court of record; and the same may, instead thereof, be paid into or deposited with any such trust company, and, where such deposit is made pursuant to order of court, in such as the court shall designate, and take the receipt of the trust company therefor; and thereupon the depositor and his sureties shall be relieved from liability thereafter accruing so long as these deposits continue. Such deposits shall not include checking or savings accounts, certificates of deposit or other liabilities not relating to its fiduciary activities, except as may be authorized by section 47.23 and sections 48.69 to 48.73 inclusive.

[*R L s 3037; 1961 c 298 s 4*] (*7732*)

48.83 DEPOSIT WITH TRUST COMPANY INSTEAD OF A LARGER BOND. When new or additional security shall be required from any executor, administrator, guardian, assignee, receiver, or other trustee, if the judge or court having jurisdiction deems it expedient, because of the magnitude of the estate or fund or otherwise, to require the maximum security prescribed by law, it may direct any securities belonging thereto to be deposited with any trust company, subject to the order of the trustee, when countersigned by the judge, and fix the amount of the security with reference only to the remainder. No such security shall be withdrawn, nor any part of the principal or interest thereof collected, except by an officer of the company, without the order of the judge duly entered and certified, upon satisfactory proof that additional security has been furnished, or that the estate or fund has been so reduced that the deposit is no longer required.

[*R. L. s. 3039*] (*7734*)

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 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.

[*R L s 3040; 1941 c 298 s 1; 1947 c 234 s 1; 1951 c 165 s 1; 1965 c 171 s 23*] (7735)

48.85 TRANSFER OF TRUSTS TO COMPANY; CONDITION. The trustees of any estate or property may surrender and resign such trust in favor of such trust company which will accept the same, and convey and deliver to it all property and assets of such trust, upon condition that the grantor, cestui que trust, and all parties in any manner interested in the execution and performance of such trust shall execute, acknowledge, and deliver an instrument in writing, whereby they shall consent to such transfer and the release and discharge of the original trustee, and the appointment of such trust company as his successor. If either party to the original trust is dead, or does not join in such written consent, or if such original trust was created under a last will, or an order or decree of a court of record, then such transfer shall not be valid except upon the judgment or decree of such court as would have jurisdiction of an action to remove the acting trustee, and full compliance with the terms and conditions of such judgment or decree.

[*R. L. s. 3041*] (7736)

48.86 TRUST FUNDS; INVESTMENT OF ACCUMULATIONS. Any amount not less than \$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 in a trust account may be invested in certificates of deposit or savings accounts in any bank or banks, provided that 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.

[*R L s 3043; 1957 c 601 s 18; 1965 c 171 s 24; 1967 c 102 s 10*] (7738)

48.87 DEPOSIT OF SECURITIES. All securities, moneys, mortgages, certificates, bonds, notes, receipts, statements, records, and all papers relating thereto, of annuity, safe deposit and trust companies heretofore required by law to be deposited with the state auditor or the state treasurer, shall be deposited with the commissioner.

All duties heretofore devolving by law upon the state auditor and the state treasurer relating to the organization and conduct of annuity, safe deposit and

trust companies shall hereafter be required of and be performed by the commissioner.

[1905 c. 49 ss. 1, 2, 3; 1909 c. 495 ss. 1, 2] (7743, 7744, 7745, 7746, 7747)

48.88 VIOLATIONS; PENALTIES. Subdivision 1. Any officer or employee of a bank or trust company who violates the provisions of sections 48.15 and 48.16 to 48.20, or who consents thereto or connives thereat, shall be guilty of a gross misdemeanor.

Subd. 2. Any person or officer of a state bank or trust company who knowingly or wilfully deposits with an agreement or understanding, either directly or indirectly, on the part of the bank or trust company to pay a larger rate of interest than that provided in section 48.25 shall be guilty of a misdemeanor.

[1927 c 257 s 6; 1929 c 144 s 2] (7699-13½a, 7699-19)

48.89 CLERICAL SERVICE CORPORATION. Subdivision 1. For the purposes of this section the following terms defined in this subdivision have the meanings given them:

- (a) The term commissioner means the commissioner of banks.
- (b) The term clerical services means services such as check and deposit, sorting and posting, computation and posting of interest and other credits and charges, preparation and mailing of checks, statements, notices, and similar items, or any other clerical, bookkeeping, accounting, statistical, or similar functions performed for a bank.
- (c) The term clerical service corporation means a corporation organized as a business corporation to perform clerical services for two or more banks, each of which owns part of the capital stock of such corporation.
- (d) The term invest includes any advance of funds to a clerical service corporation, whether by the purchase of stock, the making of a loan, or otherwise, except a payment for rent earned, goods sold and delivered, or services rendered prior to the making of such payment.
- (e) The term banks is defined as prescribed in section 45.08.

Subd. 2. (a) No limitation or prohibition otherwise imposed by any provision of state law exclusively relating to banks shall prevent any two or more banks from investing not more than ten percent of the paid-in and unimpaired capital and unimpaired surplus of each of them in a clerical service corporation if in stock of such a corporation and 15 percent of unimpaired capital and unimpaired surplus if in the making of a loan or extending credit to such a corporation. In no event shall the aggregate of the investments in stock and loans exceed 15 percent of the unimpaired capital and unimpaired surplus of the investing bank.

(b) If stock in a clerical service corporation has been held by two banks, and one of such banks ceases to utilize the services of the corporation and ceases to hold stock in it, and leaves the other as the sole stockholding bank, the corporation may nevertheless continue to function as such and the other bank may continue to hold stock in it.

Subd. 3. Whenever a bank, referred to in this section as an "applying bank," applies for a type of clerical services for itself from a clerical service corporation which supplies the same type of clerical services to another bank, and the applying bank is competitive with any bank, referred to in this section as a "stockholding bank," which holds stock in such corporation, the corporation must offer to supply such services by either:

- (1) Issuing stock to the applying bank and furnishing clerical services to it on the same basis as to the other banks holding stock in the corporation; or
- (2) Furnishing clerical services to the applying bank at rates no higher than necessary to fairly reflect the cost of such services, including the reasonable cost of the capital provided to the corporation by its stockholders, at the corporation's option, unless comparable services at competitive overall cost are available to the applying bank from another source, or unless the furnishing of the services sought by the applying bank would be beyond the practical capacity of the corporation. In any action or proceeding to enforce

the duty imposed by this section, or for damages for the breach thereof, the burden shall be upon the clerical service corporation to show such availability.

Subd. 4. No clerical service corporation may engage in any activity other than the performance of clerical services for banks.

Subd. 5. No bank may cause to be performed, by contract or otherwise, any clerical services for itself from a clerical service corporation, whether on or off its premises, unless assurances satisfactory to the commissioner are furnished to the commissioner by both the bank and the party performing such services that the performance thereof will be subject to regulation and examination by the commissioner to the same extent as if such services were being performed by the bank itself on its own premises.

Subd. 6. A clerical service corporation shall not be considered a branch of any bank owning shares in such corporation.

[1963 c 140 s 1]