

## CHAPTER 205

## BANKS AND BANKING—COOPERATIVE PLAN

S. F. 383

AN ACT to promote thrift and savings, to provide for loans and a general banking business on the cooperative plan under the provisions of the cooperative laws of the state, to provide for the organization of such banks, manner of conducting the business, the scope of business and the control and operation of the same.

*Be it enacted by the General Assembly of the State of Iowa:*

1 SECTION 1. Any fifty or more persons, residents of the state of  
2 Iowa, may secure a charter for the organization of a cooperative bank  
3 by making application therefor to the department of banking and by  
4 complying with the conditions of this act. At least ten of the persons  
5 making the application shall sign as incorporators and acknowledge  
6 the articles of incorporation, forms for which may be provided by  
7 the banking department. The articles of incorporation shall contain  
8 the following:

9 (1) Name of proposed bank and place of doing business. The  
10 name selected shall contain the words "cooperative bank".

11 (2) Purposes for which the association is formed.

12 (3) Par value of shares of stock, which shall not be less than  
13 ten dollars. The amount of capital stock that may be issued need  
14 not be fixed in the articles of incorporation or the application therefor.

15 (4) Qualifications for subscribers to capital stock.

16 (5) Date of annual meeting, which shall be the second Tuesday  
17 in January of each year, or within ten days thereafter, the manner  
18 in which stockholders shall be notified of meetings and the number  
19 of stockholders constituting a quorum.

20 (6) Number of directors (not less than five), all of whom must  
21 be residents of the state and stockholders of the corporation. Names  
22 and addresses of directors for the first year shall be inserted in the  
23 application. The directors shall be divided into three classes so that  
24 the terms of their service shall not exceed three years.

25 (7) The application shall state the number of shares of stock  
26 subscribed for and must be signed by the incorporators whose ad-  
27 dresses shall be given.

28 (8) The conditions upon which shares of stock may be subscribed  
29 for and paid for, transferred and withdrawn and their par value.

1 SEC. 2. Such application shall be accompanied by a duplicate copy  
2 of the proposed by-laws of the corporation. The by-laws shall contain  
3 the following provisions for the management of the corporation:

4 (1) Name and place of doing business.

5 (2) Purposes for which the corporation is formed.

6 (3) Powers and duties of officers and directors.

7 (4) The conditions upon which deposits may be received and with-  
8 drawn, and provisions as to the power of the corporation to make  
9 loans or to secure additional funds to carry on its business.

10 (5) The conditions upon which loans may be made and repaid by  
11 stockholders of the corporation.

12 (6) The method of receipting for money paid in on account of  
13 stock, deposits, or loans.

14 (7) The manner in which the surplus fund shall be accumulated.

15 (8) The rate of dividends to be paid on capital stock, and the  
16 manner in which dividends shall be determined and paid out.

17 (9) The manner in which voluntary dissolution of the corporation  
18 may be effected.

19 The department of banking shall prepare suggested by-laws and  
20 regulations covering the provisions of this section, which shall be  
21 furnished to applicants upon request.

1 SEC. 3. When the application for incorporation and the by-laws  
2 shall have been approved by the department of banking, the in-  
3 corporators shall have the articles of incorporation recorded with  
4 the secretary of state, for which he shall be paid a fee of ten dollars  
5 (\$10.00). The secretary of state shall then issue to the association  
6 a certificate of incorporation.

1 SEC. 4. The by-laws so approved shall be the by-laws of the cor-  
2 poration. They may be amended by the corporation upon the filing  
3 with, and approval of such amendments by the department of bank-  
4 ing, and by posting them as in the case of corporations for pecuniary  
5 profit, and by compliance with such other requirements as may be  
6 contained in the articles of incorporation.

1 SEC. 5. No banking partnership, association, or group, except such  
2 as are formed under the provisions of this act, shall use a name or  
3 designation containing the words "cooperative bank". The use of  
4 such name or designation by any other person or associations shall  
5 be a misdemeanor subject to a fine not to exceed five hundred dollars  
6 (\$500.00).

1 SEC. 6. A certificate of incorporation for a cooperative bank shall  
2 not be issued until an amount of stock has been subscribed for equal  
3 to the capitalization required for a state bank in the place where such  
4 bank is to be located. The sale of additional stock shall be regulated  
5 by the board of directors.

1 SEC. 7. When the certificate of incorporation has been issued and  
2 the required capital stock has been paid in cash, the cooperative bank  
3 shall open its books for deposits and other business, issue certificates  
4 of stock to subscribers, and be entitled to do all the things authorized  
5 to be done by state banks.

1 SEC. 8. A cooperative bank shall have power to buy and own real  
2 estate upon which the banking business is conducted, and to buy, own  
3 and sell other real estate under the rules and restrictions governing  
4 state banks.

1 SEC. 9. A cooperative bank shall have power to make loans and  
2 invest its funds in the manner and ways granted state banks.

1 SEC. 10. The private property of stockholders shall not be liable

2 for the payment of debts of the corporation, except as provided in  
3 sections nine thousand two hundred fifty-one (9251), and nine thou-  
4 sand two hundred fifty-two (9252) of the code.

1 SEC. 11. No annual distribution of dividends upon capital stock  
2 shall ever exceed eight per cent of the par value of the capital stock.  
3 After the maximum annual dividend has been paid, and a surplus  
4 has been created equal to one-half the capital stock, the net earnings  
5 may be distributed or credited to the depositors and the borrowers  
6 from the bank, who are stockholders, in proportion to the amount  
7 of interest received and accrued to the depositors and the amount  
8 of interest paid by and accrued against the obligations of the bor-  
9 rowers.

1 SEC. 12. Upon the liquidation of the corporation after payment  
2 of all liabilities, the balance of the assets shall be distributed as  
3 follows:

4 First, the capital stock shall be redeemed in full at par together  
5 with accrued dividends.

6 Second, all other assets of the bank shall be distributed to the  
7 depositors and borrowers then stockholders of the bank in proportions  
8 provided for the distribution of profits after payment of dividends on  
9 capital stock, but should the assets of the bank after payment of  
10 debts as provided herein not be sufficient to redeem all the capital  
11 stock at par, then the same shall be paid pro rata to the then stock-  
12 holders. In case of liquidation the banking department shall have  
13 power and authority to take control of the corporation and liquidate  
14 the affairs thereof and make the distribution as herein provided.

1 SEC. 13. Cooperative banks shall be subject to supervision by the  
2 department of banking and shall report to the department on blank  
3 forms supplied by it on the dates reports are required of state banks,  
4 notice of which calls shall be sent out by the department of banking.  
5 Such reports shall be verified by the oath of the president and treas-  
6 urer or secretary, or by the oath of a majority of the board of  
7 directors. Such further reports shall be made under oath as the  
8 department of banking shall at any time demand. The corporation  
9 shall be examined at least once every year by the department of  
10 banking. Such department shall have access to all books, papers,  
11 securities, and other sources of information in making such exam-  
12 ination. The superintendent of the banking department, or any  
13 of his deputies, shall have power to subpoena and examine witnesses  
14 under oath whether such witnesses are stockholders of the corporation  
15 or not, and to examine documents and examine witnesses under oath  
16 in regard to documents whether such documents are documents of  
17 the corporation or not.

18 Should it appear to the department of banking that any such  
19 corporation has violated any of the provisions of this act, it may, by  
20 an order, after an opportunity for hearing has been given such cor-  
21 poration, direct any such corporation to discontinue the violations  
22 named in the order.

23 If any such corporation is found to be insolvent, or has violated

24 any of the provisions of this act, or has failed within a reasonable  
25 time to comply with any such order, the department of banking may  
26 immediately, or within a reasonable time, take possession of the  
27 property and business of such corporation, and retain such posses-  
28 sion until such time as said department permits it to resume busi-  
29 ness, or its affairs are finally liquidated as provided in this act.

1 SEC. 14. The fiscal year of such corporation shall end on the  
2 thirty-first day of December. Annual meetings shall be held on the  
3 second Tuesday in January, or within ten days thereafter, as pro-  
4 vided by the articles of incorporation. Special meetings may be held  
5 by order of the president of the board or a majority of the directors,  
6 and shall be held upon the request in writing of ten per cent of the  
7 stockholders. Notice of all meetings shall be given in the manner  
8 prescribed in the articles of incorporation and by-laws. At all meet-  
9 ings each stockholder shall have but one vote, irrespective of the  
10 number of shares of stock held. At any meeting the stockholders,  
11 by a majority vote of all, may decide upon any question of interest  
12 to the corporation, may overrule the board of directors, and may  
13 amend the by-laws by a three-fourths vote of those present and rep-  
14 resented by proxy, provided the notice of the meeting shall have  
15 specified the question to be considered.

1 SEC. 15. Directors as well as all officers, shall be sworn to perform  
2 properly the duties of their offices. Such oath shall provide that  
3 they shall diligently and honestly administer the affairs of the cor-  
4 poration; that they will not violate or knowingly permit to be violated  
5 any of the provisions of law applicable to the corporation; that they  
6 are the owners in good faith of at least fifty shares each in the stock  
7 of the corporation. Such oath shall be subscribed by the individual  
8 making it and certified by the officer before whom it is taken, and  
9 shall be immediately transmitted to the department of banking and  
10 preserved in its office.

1 SEC. 16. At the first annual meeting and at each annual meeting  
2 thereafter, the board of directors shall elect from their number a  
3 president, vice-president, secretary and treasurer. The offices of sec-  
4 retary and treasurer may, if the articles of incorporation so provide,  
5 be held by one person. Other officers may be elected at the discretion  
6 of the directors.

7 The board of directors shall have general management of the affairs,  
8 funds and records of the corporation. They shall meet regularly once  
9 each month. Unless the by-laws make other reservations, it shall be  
10 the duty of the directors:

11 (1) To act upon all subscriptions for stock and the withdrawal  
12 and the expulsion of stockholders.

13 (2) To fix the amount of the surety bond required of each officer  
14 of the corporation;

15 (3) To determine the rate of interest allowed on deposits and  
16 charged on loans, subject to the limitations of law;

17 (4) To arrange for a place of deposit for the funds of the cor-

18 poration and for such loans from banks or individuals as they may  
19 deem necessary for carrying out the objects of the corporation.

20 (5) To fix the maximum number of shares of stock which may  
21 be held by, and the maximum amount which may be loaned to, any  
22 one stockholder; to declare dividends; and to recommend amendments  
23 to the by-laws;

24 (6) To fill vacancies in the board of directors until the next annual  
25 meeting.

26 (7) To have charge of the investment of the funds of the cor-  
27 poration and to perform such other duties as the stockholders may  
28 from time to time authorize.

29 (8) To employ such help as may be necessary in conducting the  
30 business, and to fix the salaries of the help.

31 (9) The board of directors shall decide what standing committees  
32 are necessary in the operation of the bank and prescribe the duties  
33 of such committees, and the president of the board at the first monthly  
34 meeting of the board after the annual meeting, shall appoint such  
35 standing committees.

36 No member of the board of directors shall receive any compensation  
37 for his services as a member of said board, unless said compensation  
38 has been authorized at a stockholders' meeting.

1 SEC. 17. All provisions of law relative to state banks shall apply  
2 to cooperative banks in so far as they are applicable and not incon-  
3 sistent with the express provisions of this act.

Approved April 15, A. D. 1927.

## CHAPTER 206

### BRANCH BANKING PROHIBITED

S. F. 132

AN ACT to amend chapter 415 (four hundred fifteen), of title XXI of the code, 1924,  
so as to prohibit branch banking.

*Be it enacted by the General Assembly of the State of Iowa:*

1 SECTION 1. That the law as it appears in chapter 415 (four hun-  
2 dred fifteen), of Title XXI of the code, 1924, be and the same is hereby  
3 amended by inserting the following section immediately following  
4 section 9258 (nine thousand two hundred fifty-eight) thereof:

5 "9258-b1. No banking institution shall open or maintain any branch  
6 bank, or receive deposits or pay checks, other than at its principal  
7 place of business."

Approved April 18, A. D. 1927.