
An Amendment to the State Constitution

To Be Submitted to the Qualified Electors of the State for Their Approval
or Rejection at the

GENERAL ELECTION

TO BE HELD ON

Tuesday, November 5, 1940

CONCISE STATEMENT

A RESOLUTION amending Section 11, Article XII of State Constitution authorizing legislature to provide that stockholders of banks organized under laws of this state which shall provide and furnish, through membership in Federal Deposit Insurance Corporation or any other instrumentality of the United States Government, insurance or security for payment of debts equivalent to requirements furnished by national banks be relieved from personal liability to same extent as stockholders in national banks, under federal law.

SENATE JOINT RESOLUTION NO. 8

Providing for an amendment of Section 11 of Article XII of the Constitution of the State of Washington relating to the liability of stockholders in corporations, including banking corporations, for the debts and obligations of such corporations, and enabling the legislature to provide for the placing of the liability of stockholders of banking corporations organized under the laws of this state for the debts and obligations of such corporations upon a basis of equality with the liability of stockholders of national banking associations for the debts and obligations of such associations under the laws of the United States.

Be It Resolved, By the Senate and House of Representatives of the State of Washington, in legislative session assembled:

That at the general election to be held in this state on the Tuesday next succeeding the first Monday in November, 1940, there shall be submitted to the qualified electors of this state for their approval and ratification, or rejection, an amendment of Section 11 of Article XII of the Constitution of the State of Washington, so that said section when amended shall read as follows:

Section 11. No corporation, association, or individual shall issue or put in circulation as money anything but the lawful money of the United States. Each stockholder of any banking or insurance corporation or joint stock association shall be individually and personally liable equally and ratably, and not one for another, for all contracts, debts, and engagements of such corporation or association accruing while they remain such stockholders, to the extent of the amount of their stock therein at the par value thereof, in addition to the amount invested in such shares.

The legislature may provide that stockholders of banking corporations organized under the laws of this state which shall provide and furnish, either through membership in the Federal Deposit Insurance Corporation, or through membership in any other instrumentality of the Government of the United States, insurance or security for the payment of the debts and obligations of such banking corporation equivalent to that required by the laws of the United States to be furnished and provided by national banking associations, shall be relieved from liability for the debts and obligations of such banking corporation to the same extent

An Amendment to the State Constitution

that stockholders of national banking associations are relieved from liability for the debts and obligations of such national banking associations under the laws of the United States.

And Be It Further Resolved, That the Secretary of State shall cause the foregoing constitutional amendment to be published for at least three months next preceding the election in a weekly newspaper in every county where a newspaper is published throughout the state.

Passed the Senate February 21, 1939.

VICTOR A. MEYERS,
President of the Senate.

Passed the House March 5, 1939.

JOHN N. SYLVESTER,
Speaker of the House.

STATE OF WASHINGTON—ss.

Filed in the office of the Secretary of State, March 7, 1939.

BELLE REEVES,
Secretary of State.

ARGUMENT FOR ADOPTION OF SENATE JOINT RESOLUTION NO. 8

This amendment to the Constitution is endorsed by the Banking Department of the State of Washington and by the Federal Deposit Insurance Corporation.

The State Constitution now provides that each stockholder in a state bank shall be individually liable for the par value of his stock in addition to the amount of his original investment. The adoption of this amendment to the Constitution authorizes the legislature to eliminate the double liability feature.

On July 1, 1937, Congress exempted all national banks from double liability. The Congress was prompted to repeal the double liability on national banks with the creation of the Federal Deposit Insurance Corporation. Deposit insurance replaces double liability and eliminates the need or desirability of double liability.

As it now stands, the state banks of Washington are subject to double liability, while national banks are not. Such discrimination is a decided handicap in attracting and holding

responsible individuals as stockholders in state banks. Private capital is likewise reluctant to invest in state banking corporations while this provision exists.

There are now only seven states in the United States in which the double liability provision remains and action to correct this situation is now pending in most of these.

The 1939 legislature voted (only four dissenting votes) to ask for this amendment to relieve state banks—whose deposits are insured by the Federal Deposit Insurance Corporation—from the double liability provision, thus placing them on a parity with national banks.

WASHINGTON BANKERS
ASSOCIATION,

G. S. ROBINSON, *Secretary.*

STATE OF WASHINGTON—ss.

Filed in the office of the Secretary of State September, 11, 1939, by G. S. Robinson, Secretary, Washington Bankers Association.

BELLE REEVES,
Secretary of State.