of authority from the Commissioner of Insurance and Banking, and defining the requisites of said permit, providing a bond for the public warehousemen; and providing that such public warehousemen shall issue negotiable and non-negotiable receipts for property stored in such warehouses, and vesting the supervision of such public warehouses in the Commissioner of Insurance and Banking, and defining his duty with reference to such warehouses, and directing said Commissioner to prescribe uniform public warehouse receipts for cotton; and requiring that any incumbrance on cotton stored in public warehouses shall be disclosed in the endorsement on the back of such negotiable receipt or certificate, and providing a penalty for failure to truthfully disclose such facts; preventing public warehousemen, by provisions inserted in their receipts, from limiting their liability under the law; providing for the negotiability of receipts issued; providing a penalty for public warehousemen who violate the provisions of this act; providing the conditions under which private warehousemen may conduct such business, and declaring an emergency,"

And find same correctly engrossed.

BRELSFORD, Chairman.

Committee Room,

Austin, Texas, September 8, 1914.

Hon. Robt. L. Warren, President Pro Tem. of the Senate.

Sir: Your Committee on Commerce and Manufacturers, to whom was referred

S. B. No. 10, A bill to be entitled "An Act prohibiting the operation of a corporation for the dual purpose of owning, controlling, or operating a cottonseed oil mill, and of owning, controlling, or operating a public cotton gin; also prohibiting a corporation chartered for the purpose of operating a cottonseed oil mill, from owning, controlling or operating, directly or indirectly, a public cotton gin in this State; providing suitable penalties, forfeitures, and procedure for enforcing this act; prohibiting any interference with or restricting competition in the sale, handling, or marketing of cotton seed; giving all corporations engaged in the business of operating cottonseed oil mills, that now own, control or operate public gins nine months from the taking effect of this act, to sell or otherwise dispose of their gin properties and interests, punishing domestic and foreign corporations having no legal authority or permit to do a ginning or cottonseed oil mill business to be in any manner interested therein in this State, or to own stock or any interest in any corporation, foreign or domestic, or joint stock association or partnership, so engaged; providing penalties, punishments, and procedure for all corporations and persons violating this act,"

Have had the same under consideration, and I am instructed to report the same back to the Senate with the recommendation that it do pass, and be not printed.

COLLINS, Chairman.

FIFTEENTH DAY.

Senate Chamber,
Austin, Texas,
Thursday, September 10, 1914.

The Senate met pursuant to adjournment, and was called to order by President Pro Tem. Warren.

Roll call, a quorum was present, the following Senators answering to their names:

Astin.	Harley.
Bailey of DeWitt.	Hudspeth.
Bailey of Harris.	Johnson.
Brelsford.	Lattimore.
Carter.	McGregor.
Clark.	McNealus.
Collins.	Real.
Conner.	Taylor.
Cowell.	Terrell.
Darwin.	Townsend.
Gibson.	Warren.
Greer.	Westbrook.
Hall.	Wiley.

Absent.

Willacy.

Absent—Excused.

Morrow. Watson.
Nugent.

Prayer by the Chaplain.

Pending the reading of the Journal of yesterday, the same was dispensed with on motion of Senator Johnson.

EXCUSED.

On account of sickness:

Senator Morrow, indefinitely, on motion of Senator Harley.

Senator Nugent, for balance of this week, on motion of Senator Taylor.

On account of important business:

Senator Watson, for Tuesday, Wednesday and today and tomorrow, on motion of Senator Hudspeth.

Morning call concluded.

SENATE BILL NO. 10.

The Chair laid before the Senate as pending business from yesterday, S. B. No. 5, by Senator Wiley.

Senator Gibson asked unanimous consent to suspend pending business and take up S. B. No. 8. There was objection.

Pending discussion Senator Terrell moved to suspend the pending business for the purpose of taking up, out of its order, S. B. No. 8.

Pending discussion on the above motion a message from the Governor was received, being presented by the Private Secretary to the Governor. The message went to the President's stand.

(Senator Brelsford in the chair.)

Action then recurred on the pending motion, to suspend the pending business to take up S. B. No. 8.

Senator Townsend here asked unanimous consent that the pending business be suspended and that S. B. No. 10 be taken up, out of its order. There was objection.

Senator Townsend then moved, as a substitute, that the pending business be suspended and that S. B. No. 10 be taken up, out of its order.

Action recurred on the substitute motion, and

Senator Terrell moved to table the substitute motion, which motion to table was lost by the following vote:

Yeas—6.

Bailey of Harris.	Hudspeth.
Collins.	McGregor.
Gibson.	Terrell.

Nays—16.

Astin.	Harley.
Carter.	Johnson.
Clark.	Lattimore.
Conner.	Real.
Cowell.	Taylor.
Darwin.	Townsend.
Greer.	Westbrook.
Hall.	Wiley.

Present—Not Voting.

Brelsford.	McNealus.

S2—9

Absent.

Bailey of DeWitt.	Willacy.
Warren.	

Absent—Excused.

Morrow.	Watson.
Nugent.	

Action recurred on the substitute motion and the same was adopted by the following vote:

Yeas—18.

Astin.	Hall.
Bailey of DeWitt.	Harley.
Carter.	Johnson.
Clark.	Lattimore.
Collins.	Real.
Conner.	Taylor.
Cowell.	Townsend.
Darwin.	Westbrook.
Greer.	Wiley.

Nays—5.

Bailey of Harris.	McGregor.
Gibson.	Terrell.
Hudspeth.	

Present—Not Voting.

Brelsford.	McNealus.

Absent.

Warren.	Willacy.

Absent—Excused.

Morrow.	Watson.
Nugent.	

The Chair laid before the Senate on second reading,

S. B. No. 10, A bill to be entitled "An Act prohibiting the operation of a corporation for the dual purpose of owning, controlling, or operating a cottonseed mill, and of owning, controlling, or operating a public cotton gin; also prohibiting a corporation chartered for the purpose of operating a cottonseed oil mill, from owning, controlling or operating, directly or indirectly, a public cotton gin in this State; providing suitable penalties, forfeitures, and procedure for enforcing this act; prohibiting any interference with or restricting competition in the sale, handling, or marketing of cotton seed; giving all corporations engaged in the business of operating cottonseed oil mills, that now own, control or operate public gins nine months from the taking effect of this act, to sell or otherwise dispose of their gin properties and interests, punishing domestic and foreign corporations having

no legal authority or permit to do a ginning or cottonseed oil mill business to be in any manner interested therein in this State, or to own stock or any interest in any corporation, foreign or domestic, or joint stock association or partnership, so engaged; providing penalties, punishments, and procedure for all corporations and persons violating this act."

The committee report was adopted.

Senator Cowell offered the following amendment:

Amend the bill by striking out all of Section 7, beginning after the figure 7, on page 3, line 27, and inserting the following:

"All corporations, either domestic or foreign, which may now own, operate or control, either directly or indirectly, in violation of the term of this act, any public cotton gin or gins in this State shall be given three years from the taking effect of this act in which to dispose of such gins or their interests therein."

COWELL,
LATTIMORE.

The amendment was read, and

Senator Conner offered the following amendment to the amendment:

Amend the amendment by adding to it the following:

"Provided that oil mills shall not under the provisions of the act operate cotton gins after April 1, 1915."

(President Pro Tem. Warren in the chair.)

MESSAGE FROM THE GOVERNOR.

The Chair here laid before the Senate the following message from the Governor, previously delivered to the Senate on today:

Governor's Office,
Austin, Texas, September 10, 1914.

To the Senate and House of Representatives:

Pursuant to Section 40, Article 3, of the Constitution of Texas, and in harmony with paragraph 2 of the proclamation convening the Second Called Session of the Thirty-third Legislature, I present for your consideration the following additional subject, towit:

An act further regulating banks and bank and trust companies incorporated under the laws of Texas by granting authority to all such corporations to become members of Federal reserve banks; defining demand deposits and time deposits within the meaning of the act; prescribing the amount of reserve for all such banking corporations chartered under the laws of Texas which do not become members of a Federal reserve bank and stating where such reserve shall be kept and maintained; defining the amount of reserve to be maintained by all banking corporations chartered under the laws of Texas which become members of a Federal reserve bank and stating how and in what manner and where such reserve shall be maintained; prescribing that State banks becoming members of a Federal reserve bank shall have all rights permitted them under the Federal Reserve Act as to reserve deposits with State banks and trust companies; conferring authority on State banking corporations which become members of a Federal reserve bank to conform to the Federal law as now or hereafter enacted and all rules and regulations promulgated relative thereto by lawful authority, and providing that such banks shall be subject to all limitations of law and such rules and regulations as are now or may be hereafter enacted or promulgated; defining the kind and character of money which may be held as reserve by banking corporations incorporated under the laws of Texas which become members of a Federal reserve bank; prescribing that State banks becoming members of a Federal reserve bank shall be required to conform to the provisions of law imposed upon national banks respecting limitations of liability and prohibitions against making purchases of or loans on stocks of such banks and, to withdrawal or impairment of capital, the payment of unearned dividends and to such rules as may be prescribed by the Federal Reserve Board in pursuance of the Federal Reserve Act; setting forth the terms and conditions under which State banks may pledge or hypothecate collateral security for money borrowed upon bills payable, certificates of deposit or otherwise; conferring authority upon State banks which become members of a Federal reserve bank to discount to such Federal reserve bank notes, drafts, and bills of exchange arising out of actual commercial transactions and defining the terms of such discount; prescribing that the lien and rights obtained by a Federal reserve bank upon the discount of such paper shall be a first and preference lien; prescribing certain rules and regulations with reference to State banks which are declared insolvent and a receiver or

other liquidating agency appointed; prescribing a limitation on loans which may be made to any individual, corporation, company or firm by a banking corporation chartered under the laws of this State; prescribing certain duties and conferring certain rights upon the Commissioner of Insurance and Banking with reference to banking corporations chartered under the laws of this State; prescribing the amount of indebtedness which may be created by a banking corporation chartered under the laws of this State, and declaring an emergency.

The purpose of submitting this subject for your consideration at this time is to conform the State banking laws to the Federal Reserve Act so that eligible State banks may be admitted to membership in the Federal Reserve Bank, and enable them to become members of the currency associations, organized as provided in the emergency currency acts passed by the Congress of the United States. The present State banking law has been gone over carefully by the Commissioner of Insurance and Banking, and with the assistance of the Attorney General's Department a bill has been carefully prepared which it is believed will accomplish the purposes desired at this time. I attach a copy of the bill referred to, together with a letter addressed to me and signed by office assistants of the Attorney General, with an explanation of the changes made. These are submitted as a part of my message herewith for convenience and ready reference of the members of the Legislature.

Respectfully submitted,
O. B. COLQUITT,
Governor of Texas.

September 5, 1914.

Hon. O. B. Colquitt, Governor, Capitol.

Dear Sir: In connection with Mr. Collier, the Commissioner of Insurance and Banking, and several members of the House and Senate, the undersigned have prepared a bill for the purpose of conforming our State bank laws to the Federal Reserve Act, so that eligible State banks may be admitted to membership in the Federal Reserve Bank with as little explanation and trouble as possible, as well as for other purposes which will be named as we proceed in this explanation.

We will take up the bill, a copy of which we herewith transmit to you, and make an explanation of it in this communication section by section, as follows:

Section 1. This section merely confers authority upon State banks and State bank and trust companies incorporated under the laws of this State to become members of a Federal Reserve Bank. It does not require that they do so, but merely confers the authority upon them so to do should they desire to take such action. This Department has heretofore held that they now have that authority, but since the matter is now before the Legislature it has been thought best to confer this authority by an express provision of law.

Sec. 2. This section is a preliminary section for the purpose of explaining the meaning of Sections 3 and 4, and defines what are "demand" and what are "time deposits" in the language of Section 19 of the Federal Reserve Act.

Sec. 3. This section amends in effect Article 377, Revised Statutes, or what is Section 8 of Collier's Digest of State Banking Laws. Under the present law on the subject a State banking corporation must maintain at least a 25 per cent reserve of its demand deposits. This section leaves this law unchanged in this respect as to all State banks having a capital stock of $15,000 and less, and which do not become members of a Federal Reserve Bank. As to those State banks, however, which have a capital stock exceeding $15,000, but which do not become members of a Federal Reserve Bank, the reserve requirement is reduced from 25 per cent to 15 per cent of their demand deposits. Our existing law with reference to the place at which the reserves above referred to shall be kept is that they be kept on hand or payable on demand in any banking association approved by the Commissioner for such purpose, etc.; while in this section we require as to those banks which are required to maintain a 25 per cent reserve that ten-twenty-fifths of it shall be actual cash in the bank and the remaining fifteen-twenty-fifths may be placed in a bank or banks approved for such purpose by the Commissioner; and as to those banks required to maintain only a 15 per cent reserve six-fifteenths may be placed in the bank or banking corporations approved for such purpose by the Commissioner. Section 3, as suggested above, relates only to banking corporations which do not become members of a Federal reserve bank.

Sec. 4. This section governs the reserves of State banks which become members of a Federal reserve bank, and is a

substantial copy as to Subdivisions "a" and "b" thereof of Subdivision "a" and "b" of Section 19 of the Federal Reserve Act. Subdivision "c" of Section 19 of the Federal Reserve Act was omitted from this section of this proposed law for the reason that it relates only to central reserve cities, and we have none such in this State. Subdivision "c" of this section, however, is a subdivision written by us, in order to confer upon State banks the privileges set forth in the State bank paragraph, of Section 19 of the Federal Reserve Act, and for the purpose of conferring authority upon State banks which become members of a Federal reserve bank to conform to the Federal law and all rules and regulations promulgated relative thereto by lawful authority. Subdivision "d" of this section of this bill is placed therein to make the same conform to the Federal law as to the kind and character of money which may be used for reserve purposes by those banks which become members of a Federal reserve bank.

Sec. 5. This section is a paraphrase of paragraph 4 of Section 9 of the Federal Reserve Act and is placed herein for the purpose of conforming our law as to banks which enter the Federal reserve system to the Federal law.

Sec. 6. This section down to the middle of the first paragraph thereof, ending with the word "indebtedness," is the same as Article 570, Revised Statutes. The last portion of this paragraph, beginning with the word "provided," has been added for the purpose of enabling State banks which enter the Federal reserve system to pledge their collateral to the Federal reserve bank of which they may become members under such terms as the Federal Reserve Board may prescribe, and this is a right which they would not have unless the provisions referred to are retained in this manner.

The second paragraph, beginning with the word "should" and ending with the word "same," is a mere regulation placed in the bill in order that the Commissioner may be informed at once when a State bank pledges securities in excess of 50 per cent greater than the amount borrowed thereon to a Federal reserve bank.

The third paragraph of this section, beginning with the words "a State bank" and ending with the words "a Federal reserve bank," is a substantial paraphrase of the first portion of the second paragraph of Section 13 of the Federal Reserve Act, and is necessary to be substantially in the language of that portion of said section for the purpose of enabling State banks to obtain money from the Federal reserve bank of which they may be members upon the terms which such Federal reserve banks are authorized to advance money to their members.

The fourth paragraph of this section provides that the lien and rights obtained by a Federal reserve bank upon the discount to it of any collateral by a member State bank shall be a first and preference lien. This is merely a statutory declaration of the law as it now exists as construed by the Commissioner of Banking and by this Department. The propriety and advisability, however, of making this rule statutory arises from the language of Article 487, Revised Statutes, which reads as follows:

"The State shall have, for the benefit of the depositors' guaranty fund, a first lien upon all assets of such bank or trust company and all liabilities owing or accruing to such bank or trust company in the event of the closing, as provided by law, of any such State bank or trust company operating under the depositors' guaranty fund plan; which lien shall attach and be in force from the time such bank or trust company is legally closed upon all the property and assets then in possession of such bank or trust company; provided, however, that any deposits on which said bank was paying interest and any other deposits or debts not insured under this chapter, and which are entitled to share in the assets shall share in the dividends and proceeds of such assets and collections pro rata or as may be provided by law."

Construing this article this Department, in an opinion prepared at the suggestion of the Secretary of the Treasury of the United States, held that State banks had the right to enter the Federal reserve system, and that this article was not intended to limit the right to create a contractual first lien and that it did not do so, and that, therefore, it did not prohibit a State bank from granting the first lien to the Federal reserve bank upon collateral pledged with the latter. Concerning that matter we said:

"Attention has been called to this article with a request for its construction. The lien there given the State for the benefit of the depositors' guaranty fund is necessarily subordinate to any other existing lien, whether stat-

utory or contractual, and the provision of Section 6 of the Federal Reserve Act is, in effect, a superior statutory lien on the stock issued by a Federal reserve bank and owned by a State bank, and is superior to the lien referred to in Article 487. In the practical operation of the depositors' guaranty fund of this State, the Commissioner has followed the provisions of Article 470, and this being the construction placed by him on Articles 470 and 487, Revised Statutes, such construction will not be disturbed. With this construction we agree. Therefore, in no event could these provisions interfere with the provisions of the Federal Reserve Act for the protection of debts due a Federal reserve bank by a member bank, incorporated under the laws of Texas."

However, to set the whole question permanently at rest we have incorporated in this proposed law the fourth paragraph of Section 6 as above referred to.

Sec. 7. This section is placed in this measure for the purpose of conforming the State law, relative to banks which become members of a Federal reserve bank to Section 6 of the Federal Reserve Act, and it is a substantial paraphrase of the latter.

Sec. 8. This section is an amendment of and is intended to take the place of Article 539, Revised Statutes. Under this article banking corporations incorporated under the laws of this State are permitted to loan as much as 25 per cent of their capital to one person or corporation. This section changes this law in the respects which we will note. It limits all loans to any one individual, corporation, company or firm to 10 per cent of the capital of the bank, and it provides that all loans to members of an unincorporated company or firm shall be considered as if they were loans to such company or firm in determining the loan limitation. In both the respects above suggested the measure is written to conform to Section 5200, Revised Statutes of the United States, as amended in 1906, which defines the loan limitation of national banking associations. It follows our present law, as well as the national banking law in permitting the unimpaired surplus fund to be considered as a part of the capital stock for the purposes of this loan limitation section.

This section also provides that in no event shall any such loan exceed 30 per cent of the authorized capital stock of the bank. This particular provision is not found in our present law, but we have taken it from Article 5200, United States Statutes, for the purpose of making the State law conform to the national law on this subject. We provide, however, in this section that existing loans made in good faith and renewals thereof shall not be considered as loans in violation of this section for a period of two years after this act becomes effective. This provision has been placed therein for the reason that there are now many existing loans made in excess of 10 per cent of the capital of the lending bank, and it is believed by the Commissioner that it will take approximately two years to reduce these existing loans, and renewals thereof, to the maximum of 10 per cent. The measure, however, will effectively prevent any additional loans in excess of the 10 per cent limit, but it will not affect any existing loans or renewals thereof for a period of two years. The balance of this section is a copy of Article 539, Revised Statutes.

Sec. 9. This section is not an amendment of Article 522, of which a portion of it is a copy, except to the extent that it authorizes the Commissioner of Insurance and Banking in the event the national government should insist on making examinations of State banks which become members of a Federal reserve bank to make only two general examinations, instead of four, as required by the law generally for State banks. The purpose of this is to avoid the expense and necessity of the Commissioner making four examinations, it being believed that when the Comptroller of the Currency makes two, that two will be sufficient on the part of the Commissioner, he still retaining his right under this section and under the general law to make special examinations when he desires, and still requiring all such banks under the general law to make reports five times each year.

The Commissioner has some hope that the Comptroller of the Currency will accept examinations and reports made by the State bank examiners and for this reason authority is conferred upon the Commissioner and his State bank examiners to forward reports to the Comptroller of the Currency. This section is purely cumulative of other laws on the statute books.

Sec. 10. This section merely conforms the State law to Article 5202,

Revised Statutes of the United States, as amended by the Act of December 23, 1912. (Paragraph 85, Federal Reserve Act.) It limits the indebtedness which a State bank may create. We have no law upon this subject now, except the general corporation law, which is applicable to banks and limits their indebtedness to the amount of their capital stock. This section is a copy of Article 5202, Revised Statutes of the United States, as amended, except that that statute permits the issuance of notes of circulation, while this right is not retained or granted to our State banks.

Sec. 11. Section 11 is merely a general section granting general authority to the State banks which enter the Federal reserve system to conform to the Federal Reserve Act and all rules and regulations promulgated relative thereto by lawful authority.

Sec. 12. This is the emergency clause.

Respectfully submitted,
C. W. TAYLOR,
C. M. CURETON,
Assistants Attorney General.

A BILL

To Be Entitled

An Act further regulating banks and bank and trust companies incorporated under the laws of Texas by granting authority to all such corporations to become members of Federal reserve banks; defining demand deposits and time deposits within the meaning of the act; prescribing the amount of reserve for all such banking corporations chartered under the laws of Texas which do not become members of a Federal reserve bank, and stating where such reserve shall be kept and maintained; defining the amount of reserve to be maintained by all banking corporations chartered under the laws of Texas which become members of a Federal reserve bank, and stating how and in what manner and where such reserve shall be maintained; prescribing that State banks becoming members of a Federal reserve bank shall have all rights permitted them under the Federal Reserve Act as to reserve deposits with State banks and trust companies; conferring authority on State banking corporations which become members of a Federal reserve bank to conform to the Federal law as now or hereafter enacted and all rules and regulations promulgated relative thereto by lawful authority, and providing that such banks shall be subject to all limitations of law and such rules and regulations as are now or may be hereafter enacted or promulgated; defining the kind and character of money which may be held as reserve by banking corporations incorporated under the laws of Texas which become members of a Federal reserve bank; prescribing that State banks becoming members of a Federal reserve bank shall be required to conform to the provisions of law imposed upon national banks respecting limitations of liability and prohibitions against making purchases of or loans on stocks of such banks and, to withdrawal or impairment of capital, the payment of unearned dividends and to such rules as may be prescribed by the Federal Reserve Board in pursuance of the Federal Reserve Act; setting forth the terms and conditions under which State banks may pledge or hypothecate collateral security for money borrowed upon bills payable, certificates of deposit or otherwise; conferring authority upon State banks which become members of a Federal reserve bank to discount to such Federal reserve bank notes, drafts, and bills of exchange arising out of actual commercial transactions and defining the terms of such discount; prescribing that the lien and rights obtained by a Federal reserve bank upon the discount of such paper shall be a first and preference lien; prescribing certain rules and regulations with reference to State banks which are declared insolvent and a receiver or other liquidating agency appointed; prescribing a limitation on loans which may be made to any individual, corporation, company or firm by a banking corporation chartered under the laws of this State; prescribing certain duties and conferring certain rights upon the Commissioner of Insurance and Banking with reference to banking corporations chartered under the laws of this State; prescribing the amount of indebtedness which may be created by a banking corporation chartered under the laws of this State, and declaring an emergency.

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

Section 1. All banks or bank and trust companies incorporated under the laws of Texas shall have authority to become members of Federal reserve banks

under such terms and conditions as may be prescribed by the laws of the United States and such rules and regulations relative thereto as may be promulgated by lawful authority.

Sec. 2. Demand deposits within the meaning of this act shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days and all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment.

Sec. 3. Every banking corporation chartered under the laws of this State with a capital stock of $15,000 or less, and which does not become a member of a Federal reserve bank under the laws of the United States, shall at all times have an amount of cash on hand and cash due from other banks equal to at least 25 per cent of the aggregate amount of its demand deposits, ten-twenty-fifths of which shall be actual cash in the bank. All such banks having a capital stock in excess of $15,000 shall at all times have an amount of cash on hand and cash due from other banks equal to at least 15 per cent of the aggregate amount of its demand deposits, six-fifteenths of which shall be actual cash in the bank. Whenever the reserve of any bank as hereinbefore required shall fall below the amount specified above for its class, then such bank shall not make any new loans or discounts until it shall by collections restore its lawful reserve. Fifteen-twenty-fifths of the reserve fund of a bank with a capital stock of $15,000 or less, or any part thereof, or nine-fifteenths of the reserve fund of a bank with a capital stock in excess of $15,000 or any part thereof, together with the current receipts, may be kept on hand or on deposit payable on demand in any bank or banking association of the State of Texas, or any bank, banking association or trust company regularly chartered and operating under the laws of any State or under the laws of the United States, approved by the Commissioner of Insurance and Banking, and having a paid-up capital stock of $50,000 or more; but the deposit in any one bank or trust company shall not exceed 20 per cent of the total deposits, capital and surplus of the bank making the deposit.

Sec. 4. All banks and banking corporations chartered by the laws of this State which become members of a Federal reserve bank under the Federal Reserve Act, shall as to their reserves be governed as follows:

(a) A bank not in a reserve or central reserve city as now or hereafter defined by the laws of the United States or designated by the Comptroller of the Currency of the United States shall hold and maintain reserves equal to 12 per centum of the aggregate amount of its demand deposits and 5 per centum of its time deposits, as follows:

In its vaults for a period of thirty-six months after the Secretary of the Treasury of the United States has officially announced the establishment of a Federal reserve bank in the district of which is located the subscribing member bank, five-twelfths thereof and permanently thereafter four-twelfths.

In the Federal reserve bank of its district for a period of twelve months after said date two-twelfths, and for each succeeding six months an additional one-twelfth, until five-twelfths have been so deposited, which shall be the amount permanently required.

For a period of thirty-six months after said date the balance of the reserve may be held in its own vaults or in the Federal reserve bank, or in national banks in reserve on central reserve cities as now defined by the laws of the United States.

After said thirty-six months' period said reserve other than those hereinbefore required to be held in the vaults of the member bank and in the Federal reserve bank, shall be held in the vaults of the member bank or in the Federal reserve bank, or in both, at the option of the member bank.

(b) A bank in a reserve city, as now or hereafter defined by the laws of the United States or designated by the Comptroller of the Currency, shall hold and maintain reserves equal to 15 per centum of the aggregate amount of its demand deposits, and 5 per centum of its time deposits, as follows:

In its vaults for a period of thirty-six months after the date of the establishment of the Federal reserve bank of which any bank chartered under the laws of this State may become a member, six-fifteenths thereof and permanently thereafter five-fifteenths.

In the Federal reserve bank of its district for a period of twelve months after the date aforesaid at least three-fifteenths, and for each succeeding six months an additional one-fifteenth, until six-fifteenths have been so deposited, which shall be the amount permanently required.

For a period of thirty-six months after said date the balance of the re-

serve may be held in its own vaults, or in the Federal reserve bank, or in national banks in reserve or central reserve cities as now defined by law.

After said thirty-six months' period all of said reserves, except those hereinbefore required to be held permanently in the vaults of the member bank and in the Federal reserve bank, shall be held in its vaults or in the Federal reserve bank, or in both, at the option of the member bank.

(c) Provided, however, that notwithstanding the limitations in paragraphs (a) and (b) of this section, State banks becoming members of a Federal reserve bank shall have all the rights permitted them under the Federal Reserve Act, as to reserve deposits with State banks and trust companies; provided further, that State banks becoming members of a Federal reserve bank shall have authority to conform to the Federal law now, or as hereafter enacted, and all rules and regulations promulgated relative thereto by lawful authority, and shall likewise be subject to all limitations of law and of such rules and regulations now or hereafter enacted or promulgated.

(d) The kind and character of money which may be held as reserve by banking corporations incorporated under the laws of this State and which become members of a Federal reserve bank, shall be the same as that required of national banks under the laws of the United States.

Sec. 5. A State bank becoming a member of a Federal reserve bank shall in addition be required to conform to the provisions of law imposed upon national banks respecting the limitations of liability which may be incurred by any person, firm or corporation to such banks, the prohibition against making purchases of or loans on stock of such banks, and the withdrawal or impairment of capital, the payment of unearned dividends, and of such rules and regulations as the Federal Reserve Board may, in pursuance of the Federal Reserve Act, prescribe.

Sec. 6. It shall be unlawful for any bank to hypothecate or pledge as collateral security for money borrowed upon bills payable, certificates of deposit or otherwise, its securities to an amount greater than 50 per cent in excess of the amount borrowed thereon, or for any banking corporation to issue and execute any notes, bills or other evidences of indebtedness secured, or to be secured, by the pledge or hypothecation of any of its securities, which shall not contain a provision that in the event such banking corporation shall, for any cause, have its property and business taken possession of by the Commissioner, at any time, before such pledge or hypothecation shall have been actually foreclosed, a grace of thirty days after date of such taking possession shall be allowed in which such bank or the Commissioner shall be permitted to redeem such securities so hypothecated or pledged by the payment of the amount due as principal and interest on such indebtedness; provided, however, that banking corporations, incorporated under the laws of this State, upon becoming members of a Federal reserve bank, shall not be required to insert the thirty days' grace clause in their note, bill or certificate of deposit made to a Federal reserve bank, should a Federal reserve bank decline to permit the insertion of such thirty days' grace clause in a note, bill or certificate of deposit accepted by it from such member bank; and provided further, that collateral to a greater extent than 50 per cent in excess of the amount borrowed thereon may be hypothecated or pledged to secure money borrowed from a Federal reserve bank, should it so require.

Should the securities of any State banking corporation be hypothecated or pledged to an amount in excess of 50 per cent greater than the amount borrowed thereon, it shall be the duty of the officers of such bank to immediately notify the Commissioner, giving amount of money borrowed, and amount of securities hypothecated or pledged to secure same.

A State bank becoming a member of a Federal reserve bank shall have the right to discount to a Federal reserve bank notes, drafts and bills of exchange arising out of actual commercial transactions and to endorse the same with a waiver of demand, notice and protest and to do any other thing necessary under the Federal Reserve Act or rules and regulations relative thereto promulgated by lawful authority, in order to obtain all the benefits and privileges of membership in a Federal reserve bank.

The lien and rights obtained by a Federal reserve bank upon the discount to it of any such notes, drafts and bills of exchange shall be a first and preference lien thereon.

Sec. 7. If any State bank which is a member of a Federal reserve bank

shall be declared insolvent and a receiver appointed therefor or other agency for the liquidation of its affairs and the payment of its debts, the stock held by it in the said Federal reserve bank may be canceled without impairment of its liability and all cash paid subscriptions on said stock with one-half of 1 per cent per month from the period of last dividend, not to exceed the book value thereof, may be first applied to all the debts of said insolvent member bank to the Federal reserve bank, and the balance, if any, paid to the receiver of the insolvent bank or other agency for its liquidation, as provided for in Section 6 of the Federal Reserve Act.

Sec. 8. No incorporated bank nor trust company chartered under the laws of this State shall loan its money to any individual, corporation, company or firm, directly or indirectly, or permit any individual, corporation, company or firm to become at any time indebted or liable to it in a sum exceeding 10 per cent of its capital stock actually paid in, or permit a line of loans or credits to any greater amount to any individual, corporation, company or firm; all loans to the members of any unincorporated company or firm shall be considered as if they were loans to such company or firm in determining the limitation here prescribed; a permanent surplus, the setting apart of which shall have been certified to the Commissioner of Insurance and Banking, and which can not be diverted without due notice to said officers, may be taken and considered as a part of the capital stock for the purposes of this section; provided, however, that in no event shall any such loan exceed 30 per cent of the authorized capital stock of said bank; provided further, that existing loans made in good faith and renewals thereof shall not be considered loans in violation of this section for a period of two years after this act becomes effective; provided, that the provisions of this section shall not be construed as in anywise to interfere with the rules and regulations of any clearing house association in this State in reference to the daily balances between banks; provided, that this section shall not apply to balances due from correspondents subject to draft; and provided further, that the discount of the following classes of paper shall not be considered as money borrowed within the meaning of this section, viz:

(a) The discount of bills of exchange, drawn in good faith, against actual existing values.

(b) The discount of paper upon the collateral security of warehouse receipts, covering agricultural and manufactured products in store in elevators and warehouses, under the following conditions: First, that the actual market value of the property held in store and covered by such receipts shall, at all times, exceed by at least 25 per cent the amount loaned upon the same; second, that the full amount of the loans shall at all times be covered by policies of fire insurance issued by companies admitted to do business in this State, to the extent of their ability to cover such loans; and all such policies shall be made payable in case of loss to the bank or holder of the warehouse receipts.

Sec. 9. It shall be the duty of the Commissioner of Insurance and Banking, at least once in each quarter of each calendar year, to cause each banking corporation incorporated under the laws of this State to be thoroughly and fully examined; provided, however, that as to such banking corporations as shall become members of a Federal reserve bank, should the Federal Reserve Board or the Comptroller of the Currency insist upon making examinations of such banking corporations by national bank examiners, then the Commissioner of Insurance and Banking shall be required to make or cause to be made but two regular examinations of such banking corporations during any one year; provided, further, that the Commissioner shall have power to make special examinations of any State banking corporation at any time in his discretion.

The Commissioner of Insurance and Banking, or any State bank examiner, at his direction, shall be authorized at any time to forward to the Comptroller of the Currency or the Federal Reserve Board, copies, or certified copies of a State bank examiner's report of any regular or special examination made of any banking corporation which has or shall become a member of a Federal reserve bank.

The provisions of this section shall be cumulative of any other laws now upon the statute books of this State in respect to this subject.

Sec. 10. No banking corporation incorporated under the laws of this State shall at any time be indebted or in any way liable to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except

on account of demands of the nature following:

(a) Moneys deposited with or collected by it.

(b) Bills of exchange or drafts drawn against money actually on deposit to the credit of the corporation or due thereto.

(c) Liabilities to the stockholders of the association for dividends and reserve profits.

(d) Liabilities incurred under the provisions of the Federal Reserve Act.

Sec. 11. Any bank incorporated under the laws of this State which becomes a member of the Federal reserve bank shall have authority to conform to the Federal Reserve Act as the same now exists, or as it may hereafter be amended, and such rules and regulations as the Federal Reserve Board may prescribe in order to entitle it to membership in a Federal reserve bank.

Sec. 12. The importance of the legislation proposed in this act and the necessity of conforming the laws of this State to the laws of the United States in order to provide sufficient currency to relieve the financial situation obtaining in this State, as well as in the country generally, creates an emergency and an imperative public necessity requiring that the constitutional rule providing that bills shall be read on three several days in each house shall be suspended and said rule is so suspended, and this act shall take effect from and after its passage, and it is so enacted.

BILLS AND RESOLUTIONS.

(By Unanimous Consent.)

By Senator Clark:

S. B. No. 11, A bill to be entitled "An Act to prohibit any person, firm or association of persons, operating a cottonseed oil mill in this State, or any member, agent or employee of either from owing, operating or holding any character of interest in a public cotton gin in this State; also to prohibit any officer, director, agent or employee of any corporation operating a cottonseed oil mill in this State from owning, operating or holding any character of interest in a public cotton gin in this State, providing the time the act shall become effective and fixing penalties."

Read first time and referred to the Committee on Commerce and Manufactures.

By Senators Bailey of DeWitt, Hall, Willacy, Cowell, Nugent and Terrell:

S. B. No. 12, A bill to be entitled "An Act further regulating banks and bank and trust companies incorporated under the laws of Texas by granting authority to all such corporations to become members of Federal reserve banks; defining demand deposits and time deposits within the meaning of the act; prescribing the amount of reserve for all such banking corporations chartered under the laws of Texas which do not become members of a Federal reserve bank and stating where such reserve shall be kept and maintained; defining the amount of reserve to be maintained by all banking corporations chartered under the laws of Texas which become members of a Federal reserve bank and stating how and in what manner and where such reserve shall be maintained; prescribing that State banks becoming members of a Federal reserve bank shall have all rights permitted them under the Federal Reserve Act as to reserve deposits with State banks and trust companies; conferring authority on State banking corporations which become members of a Federal reserve bank to conform to the Federal law as now or hereafter enacted and all rules and regulations promulgated relative thereto by lawful authority, and providing that such banks shall be subject to all limitations of law and such rules and regulations as are now or may be hereafter enacted or promulgated; defining the kind and character of money which may be held as reserve by banking corporations incorporated under the laws of Texas which become members of a Federal reserve bank; prescribing that State banks becoming members of a Federal reserve bank shall be required to conform to the provisions of law imposed upon national banks respecting limitations of liability and prohibitions against making purchases of or loans on stocks of such banks, and, to withdrawal or impairment of capital, the payment of unearned dividends and to such rules as may be prescribed by the Federal Reserve Board in pursuance of the Federal Reserve Act; setting forth the terms and conditions under which State banks may pledge or hypothecate collateral security for money borrowed upon bills payable, certificates of deposit or otherwise; conferring authority upon State banks which become members of a Federal reserve bank to discount to such Federal reserve bank notes, drafts, and bills of exchange arising out of actual commercial transactions and defining the terms of such discount; prescribing that

the lien and rights obtained by a Federal reserve bank upon the discount of such paper shall be a first and preference lien; prescribing certain rules and regulations with reference to State banks which are declared insolvent and a receiver or other liquidating agency appointed; prescribing a limitation on loans which may be made to any individual, corporation, company or firm by a banking corporation chartered under the laws of this State; prescribing certain duties and conferring certain rights upon the Commissioner of Insurance and Banking with reference to banking corporations chartered under the laws of this State; prescribing the amount of indebtedness which may be created by a banking corporation chartered under the laws of this State, and declaring an emergency."

Read first time and referred to Judiciary Committee No. 1.

RECESS.

On motion of Senator Clark the Senate, at 12:30 o'clock p. m., recessed until 3 o'clock today.

AFTER RECESS.

(Afternoon Session.)

The Senate was called to order by President Pro Tem. Warren.

SENATE BILL NO. 10.

Action recurred on S. B. No. 10, the pending business, the question being on the amendment by Senator Conner to the amendment by Senator Cowell.

Senator McGregor offered the following substitute for both the amendment and the amendment to the amendment:

Amend the bill by striking out Section 7.

(Senator Hudspeth in the chair.)

Action recurred on the substitute, and Senator Carter moved to table same, which motion to table was adopted.

(President Pro Tem. Warren in the chair.)

Action then recurred on the amendment to the amendment, and Senator Cowell moved to table same, which motion to table was adopted by the following vote:

Yeas—14.

Bailey of DeWitt.	Harley.
Bailey of Harris.	Johnson.
Cowell.	Lattimore.
Darwin.	McNealus.
Gibson.	Real.
Taylor.	Warren.
Terrell.	Westbrook.

Nays—11.

Astin.	Greer.
Brelsford.	Hudspeth.
Carter.	McGregor.
Clark.	Townsend.
Collins.	Wiley.
Conner.	

Present—Not Voting.

Willacy.

Absent.

Hall.

Absent—Excused.

Morrow.	Watson.
Nugent.	

Action recurred on the original amendment, and Senator Real offered the following amendment to the amendment:

Amend the amendment by striking out the word "three" and insert in lieu thereof the word "two."

Pending.

(Senator Townsend in the chair.)

FREE CONFERENCE COMMITTEE REPORT ON HOUSE BILL NO. 1.

Senator Warren here offered the following report, on part of the Free Conference Committee, on House bill No. 1:

Committee Room,
Austin, Texas, September 10, 1914.

Hon. Chester H. Terrell, Speaker of the House of Representatives, and Hon. Robert L. Warren, President Pro Tem. Tem. of the Senate.

Sirs: We, your Free Conference Committee, to whom was referred House bill No. 1 with Senate amendments thereto, have had same under consideration at a session of said committee and beg leave to report it back to the Senate and House with the recommendation that it do not pass, but that the accompanying Free Conference Committee substitute for said House bill No. 1 do pass in lieu thereof.

WARREN,
WILLACY,
CARTER
COLLINS,
HUDSPETH,
On the part of the Senate.
CALVIN,
WORTHAM,
HILL,
ROSWELL,
TILLOTSON.
On the part of the House.

FREE CONFERENCE COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 1.

A BILL

To Be Entitled

An Act to preserve the credit of the citizens of the State of Texas generally and to prevent the sacrifice of a large part of the products of its industry; to assist in maintaining the solvency of the banks chartered by the State and to preserve intact the depositors' guaranty fund; to maintain the integrity of the actual values of the products of industry during the present period of financial disturbance, to the end that taxes may be collected and taxable values maintained; to furnish a certain, safe, authoritative and liquid security, to enable the people of the State generally to obtain their ratable and proper distribution of currency which may be issued by the national government and generally to preserve the credit and industrial and financial integrity of the State; authorizing and requiring the Commissioner of Insurance and Banking to establish a State warehouse system for the storing of cotton in bales, wheat in elevators, and other products of industry; prescribing the terms and conditions and rules and regulations under which such officer shall establish said warehouse system, conferring certain authority upon him with reference thereto, and conferring authority upon counties, incorporated cities and towns, to contribute to the cost and expense of such system in their respective locations; authorizing such counties, cities and towns to expend certain funds in establishing warehouses for use as State warehouses and prescribing certain regulations relative thereto; and conferring authority upon private corporations to make contributions for such purpose; authorizing the Commissioner to appoint managers at each local warehouse and prescribing the conditions under which such appointments shall be made; fixing the bond and defining the duties of such managers; prescribing the terms and conditions of warehouse receipts to be issued by the managers of warehouses established by the Commissioner of Insurance and Banking and prescribing when and under what conditions such receipts may be issued and when duplicates may be issued; defining negotiable and non-negotiable receipts; and defining certain purposes for which said receipts may be used; prescribing when property placed in State warehouses shall be delivered upon the surrender of receipts and all terms and conditions, rules and regulations governing State warehouses established by the Commissioner of Insurance and Banking; defining the liability of the State as a public warehouseman and permitting suits to be brought against it as such, and prescribing the venue thereof; prescribing that the Commissioner of Insurance and Banking shall fix the charges for storage, authorizing the Commissioner of Insurance and Banking to have all products stored in State warehouses insured; defining what character of building may be used for warehouse and storage purposes; providing for the appointment of warehouse examiners by the Commissioner of Insurance and Banking, prescribing their duties, conferring authority upon the Commissioner of Insurance and Banking to have State warehouses examined by State Bank Examiners, providing how the warehouseman's lien provided for in this act may be satisfied; stating when and under what conditions the Commissioner of Insurance and Banking shall cease to receive cotton in storage under this act; defining the standard of weights and measures and classifications to govern the Commissioner in administering this act; creating certain penal offenses to secure the enforcement of this act and prescribing penalties therefor; making an appropriation to carry out the provisions of this act, and declaring an emergency.

Be it enacted by the Legislature of the State of Texas.

Section 1. It is declared that this act is an emergency measure, made necessary by the conditions brought about by the wars on the continent of Europe.

The purpose of this act is to preserve the credit of the citizens generally of the State; prevent the sacrifice of a large part of the products of its industry now impending due to the calamities and exigencies of war; to assist in maintaining the solvency of the banks chartered by the State of Texas, and preserve intact the depositors' guaranty fund; to maintain the integrity of the actual values of the products of industry during the present period of financial disturbance, to the end that taxes may be collected and taxable values main-

tained; to furnish a certain, safe, authoritative and liquid security, to enable the people of the State generally to obtain their ratable and proper distribution of currency issued or authorized to be issued by the national government, or other relief issues of money or currency made by the national government or authorized to be made by it; and generally to preserve the credit and industrial and financial integrity of the State.

Sec. 2. This act shall be administered by the Commissioner of Insurance and Banking. To aid him in his work he is empowered to appoint a chief clerk of the warehouse division of his department, who shall perform the duties usually incident to that character of position and such duties as may be assigned him by the Commissioner. Such chief clerk shall be paid the sum of ($200.00) two hundred dollars per month for the time that he is employed by said Commissioner. The Commissioner of Insurance and Banking shall also have authority to employ such clerks, stenographers, experts, examiners and such other help as may be necessary in carrying out the provisions of this measure. All those employed by the Commissioner for any purpose shall receive such salary and compensation as may be fixed by him, except as herein otherwise provided, and in addition thereto, shall, when traveling on official business receive their actual necessary traveling expenses; provided further that the salary and compensation of each clerk or employee, other than the chief clerk, shall not exceed the amount of ($166.66 2-3) one hundred and sixty-six and two-thirds dollars per month for the time that he is employed by said Commissioner of Insurance and Banking.

Sec. 3. As soon as this act goes into effect the Commissioner acting as trustee for the State, may establish by renting or leasing in each town or city in this State, whether incorporated or unincorporated, and at such other places, where the demand therefor is reasonably sufficient to justify the outlay, a State warehouse for the storage of cotton in the bale, and shall store the same and issue receipts therefor in the manner herein provided. No liability shall be incurred on behalf of, and no debt created against the State by reason of the lease or operation of any warehouse in excess of the amount herein appropriated. It being hereby declared to be the policy of the State in the enactment of this legislation that the lease and operation of said warehouses shall be upon such terms and conditions that the revenue derived from the operation thereof shall be sufficient to pay the cost of the lease and operation of such warehouses.

Before establishing any warehouse hereunder in any incorporated city or town and at such other places, the Commissioner may, in his discretion, require such city or town to agree to pay and to pay all or any part of the cost of establishing and operating such warehouse; and authority is hereby conferred upon all incorporated cities and towns and villages and any county of this State to appropriate and use as much of their general funds as may be necessary for such purpose. The Commissioner may also, in his discretion, before establishing any warehouse hereunder at any place require the citizens of such place, represented by some responsible body or committee, to agree to pay and to pay all or any part of the cost of establishing and operating such warehouse, and authority is hereby conferred upon all private corporations, chartered under the laws of the State of Texas, to contribute so much of their funds as may be necessary for such purpose, in aiding the citizens of any particular place to obtain in the manner suggested the establishment and maintenance of a warehouse under this act.

Sec. 4. Each warehouse shall be in charge of a manager to be appointed by the Commissioner, as hereinafter directed, who shall be competent to keep the books required to be kept and to grade and classify cotton. The manager shall give bond payable to the State at Austin, Texas, in the sum of not less than ($2500) two thousand five hundred dollars and not more than ($25,000) twenty-five thousand dollars to be fixed by the Commissioner of Insurance and Banking, graduated according to the capacity of the warehouse or warehouses in charge of said manager. The bond of the manager shall be conditioned for the faithful and competent discharge of his duties under this act, and shall be in form drawn by the Attorney General. The manager of any warehouse or warehouses established or provided under the provisions of this act shall receive such salary as may be approved or detemined by the Commissioner, and such manager shall be authorized to employ such assistants as may be approved by said Commissioner.

Whenever any incorporated city, town or any county shall appropriate out of

their general revenue sufficient sums to establish or provide any warehouse or warehouses, the city council of such town or city, or the commissioners court of such county, as the case may be, shall by a majority vote and at a regular or special meeting nominate a manager for such warehouse or warehouses, and shall within ten days after such nomination certify his name to the Commissioner of Insurance and Banking for approval, and such person, if approved by the Commissioner, shall act as manager for such warehouse or warehouses.

Whenever any person or association of persons shall establish or provide any warehouse or warehouses for the purpose of leasing or renting the same to the Commissioner of Banking and Insurance under the provisions of this act, such person or association of persons shall nominate a manager for such warehouse or warehouses, and shall within ten days after such nomination certify his name to the Commissioner of Insurance and Banking for approval, and such person, if approved by the Commissioner, shall act as manager for such warehouse or warehouses.

Each such manager shall have a certificate signed by the Commissioner of Insurance and Banking, showing his appointment as manager which he shall keep displayed at his office at the warehouse.

Sec. 5. Warehouses established under this act shall be conducted under rules fixed by the Commissioner of Insurance and Banking in order to effectively carry out its provisions, and it shall be the duty of the Commissioner, as soon as may be after organizing this division of his department, to promulgate rules and regulations and forms by which the provisions of this law may be carried out.

Sec. 6. Each warehouse receipt issued hereunder shall bear the date of issuance and shall state upon its face the name and number of the warehouse and its location, the description, quantity, number, and marks of the cotton there stored, and shall state the class and weight of same, and the date on which it was originally received in the warehouse, and that it is deliverable upon the return of the receipt properly endorsed by the person to whose order it was issued and upon payment of all charges for storage and insurance, which charges shall be stated on the face of the receipt to secure all of which the State shall have a warehouseman's lien.

All such receipts shall be numbered consecutively in the order of their issuance and shall state whether the cotton therein described is exposed to the weather or under shelter. A correct record of such receipts shall be kept in a well bound book, which shall be at all reasonable hours open to examination by any interested person.

No two receipts bearing the same number shall be issued from the same warehouse during the same year, nor shall any duplicate receipts be issued, except in the case of a lost or destroyed receipt, in which case a new receipt shall bear the same date and number as the original and shall be plainly marked on its face "duplicate." A receipt in which it is stated that the goods will be delivered to the recipient or to any other specified person is a non-negotiable receipt. A non-negotiable receipt shall have plainly placed upon its face by the manager issuing it "non-negotiable" or "not negotiable." A receipt in which it is stated that the goods will be delivered to the bearer or to the order of any person named in such receipt is a negotiable receipt.

In addition to other provisions each receipt shall have a blank form on the back thereof to be filled in and signed by the owner of the cotton, showing whether such cotton is free from landlord's lien or encumbrance of any kind. If there is any encumbrance or liens of any kind on said cotton at the time of its storage the nature and amount of the same shall be clearly set out and it is made the duty of the manager issuing the receipt to have said blank filled in and signed by the owner of the cotton before issuing a negotiable receipt for same; provided, if there is no encumbrance or lien that fact shall be shown in the statement; provided, however, such statement may not be made if a non-negotiable receipt is desired, and provided further if the cotton was grown on rented lands that fact shall be stated on the back of the receipt, together with the amount due the landlord for all rents and advances, the name and address of the landlord, and whether or not the cotton is being placed in the warehouse with the landlord's consent. When cotton grown on rented or leased premises is tendered for storage in a State warehouse, in addition to the foregoing requirements, all receipts issued therefor shall be issued jointly in the name of the tenant and of the landlord, showing their respective interests in such cotton, unless the tenant or person storing the same presents written

authority from the landlord or from the tenant, as the case may be, requesting the issuance of the receipt in the name of the one or the other.

If the person holding a non-negotiable receipt shall desire to obtain a negotiable receipt in lieu thereof he shall return said non-negotiable receipt to the warehouse issuing the same and thereupon shall comply in every respect with the provisions of this act relating to negotiable receipts, upon compliance with which a negotiable receipt shall be issued to him in lieu of said non-negotiable receipt and said non-negotiable receipt shall thereupon be cancelled and the word "cancelled" plainly marked or stamped in ink across the face thereof. No warehouse receipt shall be issued except on the actual previous delivery of the goods in the warehouse or on the premises and under the control of the manager thereof.

A duplicate shall not be issued until the same person applying therefor gives a bond equal to the value of the goods for which the same is issued, which bond shall be given under such rules and regulations as the Commissioner may prescribe.

Sec. 7. Upon the presentation and return to the warehouse of any public warehouse receipt issued by its manager and properly endorsed, and the tender of all proper warehouse charges upon the property represented by it, such property shall be delivered immediately to the holder of such receipt, but the manager of such warehouse who shall issue a receipt for cotton shall not, under any circumstances or upon any order or guaranty, deliver the property upon which receipts have been issued until such receipts have been delivered and cancelled, except in case of lost receipts; and upon any default in strict compliance with the terms of this article the manager shall be held liable not only to the State on his bond but to the lawful holder of the receipt for the full value of the property therein described; and shall further be liable to the special penalty herein provided.

Upon delivery of the goods in any warehouse, the receipt therefor shall be plainly marked or stamped in ink across the face thereof with the word "cancelled," together with the name of the manager cancelling the same, and shall thereafter be void and shall not again be put into circulation, but shall be filed for further inspection.

Sec. 8. The liability of the State shall be that of a public warehouseman and suits may be brought against the State for any liability as such, either at Austin, in Travis county, Texas, or in the county in which is located the warehouse where the cause of action accrued; provided, however, that the weights, classes and grades of cotton stored in warehouses under this act are guaranteed by the State only in favor of those who may loan money on warehouse receipts issued hereunder as collateral, or those who hold evidence of debt originally secured by such warehouse receipts as collateral. And provided further that the State shall not be responsible for such fluctuations in weight as represents ordinary climatic conditions.

Service in all suits may be had upon the Commissioner of Insurance and Banking or upon the local manager of the warehouse at which the cause of action arose.

But in all instances before suit may be brought and maintained a statement of the claims, properly sworn to, giving the amount thereof, and the manner in which it arose, shall be delivered in person or by mail to the Commissioner of Insurance and Banking within ninety days after the accrual of the cause of action, or such notice may be given by delivering a copy of the same to the local manager of the warehouse at which the cause of action arose. No personal liability shall attach to the Commissioner of Insurance and Banking for any action done by him or by his managers under the terms of this act.

Sec. 9. A negotiable receipt issued against cotton stored in a warehouse under this act shall be negotiable and transferable by endorsement in blank or by special endorsement and delivery in the same manner and to the same extent as bills of exchange and promissory notes now are, without other formality; and the transferee or holder of such warehouse receipts shall be considered and held as an actual and exclusive owner to all intents and purposes of the property therein described, subject only to the lien and privilege of the warehouse for storage, insurance and other warehouse charges; provided, however, that all such warehouse receipts that shall have the words "non-negotiable" plainly marked or stamped on the face thereof shall be exempted from the provisions of this section.

The manager of each warehouse shall keep a carbon copy of each receipt, whether negotiable or non-negotiable, issued by him and which shall have print-

ed in large letters across the face of the same "Carbon Copy." Such carbon copy shall be of no value for any purpose, except as part of the records of the office of the manager issuing the same.

Sec. 10. All charges for storage shall be fixed by the Commissioner and need not be necessarily the same at all places, but shall be fixed by him, taking into consideration the amount of cotton, local conditions and necessities, the object in view being to collect a sufficient amount at each local warehouse to pay for its operation, but at the same time make the rates reasonable and just. The Commissioner shall in his rules and regulations prescribe when insurance, warehouse charges and other charges shall be due and payable.

Sec. 11. All cotton placed in warehouses shall be insured by the Commissioner, either by individual policies or by blanket policies covering any and all cotton in any State warehouse, the method and manner of securing the insurance to be left to the judgment, discretion and experience of the Commissioner. In the event of any loss or damage the Commissioner shall collect the insurance due and pay the same over ratably and equitably to those lawfully entitled to the same. All insurance policies shall be issued in the name of the Commissioner of Insurance and Banking.

All cotton placed in a warehouse must be insured and the premium shall be collected from the owner of the cotton by the Commissioner and the State shall have the warehouseman's lien for the insurance on the cotton, the same as it has for storage charges.

Sec. 12. Cotton shall not be stored in wooden buildings unless such buildings are equipped with fire protection to be approved by the Commissioner, and none shall be stored in anything but waterproof buildings, so that the entire bale shall be protected from the weather. The Commissioner shall equip all places of storage with such practical fire protection as the location and necessities of the warehouse will permit and in all instances every practical safeguard shall be taken, and in the rules and regulations to be formed by the Commissioner governing his managers he shall set forth the general details of the system of fire protection and shall enforce the same; to this end he shall have the right to call to his assistance all the experts, engineers and employes of the State Fire Insurance Commission.

Sec. 13. All warehouse receipt books shall be designed by the Commissioner and printed under his direction and be furnished each warehouse by him, each receipt being numbered and accounted for by the manager under such rules as the Commissioner may provide. Each receipt shall contain the lithographed or engraved signature of the Commissioner of Insurance and Banking and the lithgraphed or engraved seal of his department, but the same shall be signed with pen and ink by the local manager.

Sec. 14. Local managers shall make reports as required to the Commissioner of Insurance and Banking and the lithoamount, grade, character, classification and weight of cotton received and delivered by him and from whom received and to whom delivered, said reports to be in such form as may be designated by the Commissioner of Insurance and Banking, and shall contain such other information as may be required by the Commissioner.

Sec. 15. The Commissioner of Insurance and Banking shall appoint a sufficient number of warehouse examiners to visit each local warehouse from time to time and carefully examine the records kept by the managers and the contents of said warehouses, and make such reports to the Commissioner of Insurance and Banking relative thereto and relative to all other matters that may be required and specified by the Commissioner concerning such warehouses. Such examiners shall visit each warehouse at least twice during each cotton season and at such other times as may be designated by the Commissioner of Insurance and Banking.

Sec. 16. Every warehouse examiner appointed by the Commissioner shall be a competent cotton classer, and before entering upon the duties of his office shall take and file in the office of the Commissioner the constitutional oath, and in addition thereto shall take an oath to make fair and impartial examinations and that he will not accept as presents or emoluments any pay, directly or indirectly, for the discharge of any act in the line of his duty other than the remuneration accorded and fixed by law; and that he will not reveal the condition of any warehouse examined by him or of any storage account examined by him or give any information secured in the course of examination to any one except to the Governor, the Commissioner and the Attorney General; and

except when required to do so in the enforcement of the law or in the course of a judicial proceeding.

No such examiner shall at any time after he has been appointed and qualified be an officer or stockholder in any warehouse company or warehouse corporation or a member of any firm or an officer of any corporation engaged in the purchase or sale of cotton or cotton products.

Each such examiner shall enter into a bond payable to the State in the sum of ten thousand ($10,000) dollars to be approved by the Commissioner and deposited in his office, conditioned that he will faithfully perform his duties as such examiner.

As full compensation for the performance of the duties of examiner each person so appointed shall be entitled to receive a salary of not to exceed one hundred and sixty-six and two-thirds ($166⅔) dollars per month during the time he is employed as such examiner, and all necessary traveling expenses. An itemized account of such expenses shall be rendered monthly under oath by each examiner and shall be approved by the Commissioner. Provided, however, the Commissioner may in his discretion cause State Bank Examiners to perform the duties of warehouse examiners in addition to their duties as State Bank Examiners, where such action will be economical, desirable and practical; in such instance, however, it will not be necessary for the State Bank Examiner to make any additional bond or take any additional oath. The expense of any examination by a State Bank Examiner shall be borne by the funds appropriated for the enforcement of this law.

Sec. 17. The Commissioner shall have authority, and it shall be his duty if he finds it necessary in addition to local warehouses, to lease and maintain warehouses at points of concentration.

Sec. 18. The warehouseman's lien herein provided for when same has become due may be satisfied as follows:

The manager shall give a written notice to the person on whose account the goods are held, and to any other person known by the manager to claim an interest in the goods. Such notice shall be given by delivery in person or by registered letter addressed to the last known place of business or abode of the person to be notified. The notice shall contain:

(a) An itemized statement of the manager's claim, showing the sum due at the time of the notice and the date or dates when it became due.

(b) A brief description of the goods against which the lien exists.

(c) A demand that the amount of the claim as stated in the notice, and of such further claim as shall accrue, shall be paid on or before a day mentioned, not less than ten days from the delivery of the notice if it is personally delivered, or from the time when the notice should reach its destination, according to the due course of post, if the notice is sent by mail; and

(d) A statement that unless the claim is paid within the time specified the goods will be advertised for sale and sold by auction at a specified time and place.

In accordance with the terms of a notice so given, a sale of the goods by auction may be had to satisfy any valid claim of the manager for which he has a lien on the goods. The sale shall be had in the place where the lien is acquired, or, if such place is manifestly unsuitable for the purpose, at the nearest suitable place.

After the time for the payment of the claim specified in the notice to the depositor has elapsed an advertisement of the sale, describing the goods to be sold, and stating the name of the owner or person on whose account the goods are held, and the time and place of the sale shall be published in the place where such sale is to be held.

Such publication shall be for not less than two successive weeks prior to the date of sale, and no charge shall be made for such publication in excess of the rates now provided by the statutes, as compensation for the publication of legal notices.

The sale shall not be held less than fifteen days from the time of the first publication. If there is no newspaper published in such place, the advertisement shall be posted at least ten days before such sale in not less than six conspicuous places therein.

From the proceeds of such sale the manager shall satisfy the lien, including the reasonable charges of notice, advertisement and sale; and balance, if any, of such proceeds shall be held by the manager, and delivered on demand to the person to whom he would have been bound to deliver or justified in delivering the goods.

At any time before the goods are sold any person claiming a right of property or possession therein may pay the ware-

house manager the amount necessary to satisfy his lien and to pay the reasonable expenses and liabilities incurred in serving notices and advertising and preparing for the sale up to the time of such payment. The manager shall deliver the goods to the person making such payment if he is a person entitled under the provisions of this act to the possession of the goods on payment of the charges thereon. Otherwise the manager shall retain possession of the goods according to the terms of the original contract of deposit.

Sec. 19. This act being intended as an emergency measure it is the intent that it shall remain in full force and effect only as long as the emergency which caused its passage shall continue, and the Commissioner is directed to cease receiving cotton under this act not later than the 31st day of August, 1915; and he is expressly authorized to cease the receipt of cotton at any place or places whenever the demands of the public do not justify the further operation of a warehouse at such place or places as emergency agencies; or, whenever general financial conditions and trade demands render it practicable for the service sought to be performed under this act to be taken over and discharged by and under the direction of any bonded warehouse system which may be created and established before the expiration of this act on August 31, 1915.

Sec. 20. No action shall be brought against the Commissioner or his local manager for any lawful action taken under this act, but all such suits shall be brought against the State; and the same shall be defended by the Attorney General, but the Commissioner may, if necessary, employ counsel in any particular suit.

Sec. 21. All charges, funds and dues collected under this act shall constitute a special fund to be used only in the administration of this law and paying obligations hereunder until further action be taken by the Legislature; and all such funds are hereby appropriated for such purposes for the fiscal year ending August 31, 1915.

There is hereby appropriated out of any funds in the Treasury not otherwise appropriated for the year ending August 31, 1915, the sum of one hundred thousand dollars or so much thereof as may be necessary for administering the affairs of this division of the Department of Insurance and Banking.

Sec. 22. In the event the Commissioner should have space in any particular warehouse in excess of its use for cotton he may store and issue receipts for other non-perishable farm products, but the general purpose of this law is the storage of cotton, and the storage of all other farm products shall be incidental and optionary with the Commissioner as to each particular warehouse.

Sec. 23. The standards of weights and measures of this State shall be the standards of weights and measures used under this act. It shall be the duty of the Commissioner to establish standards of classification for cotton and the originals of such standards shall be maintained subject to inspection in his office in the State Capitol. Duplicates of said classification of cotton, as well as standards of weights and measures, shall be furnished to the managers of each warehouse as soon as may be done. The standards of classification of cotton shall be the same as those established by the Department of Agriculture of the United States; but it shall not be necessary for the manager of any particular warehouse to receive such standards from the Commissioner before he may begin operation; it is only intended by this provision that such standards shall be ultimately furnished when the Commissioner is able to furnish the same. All products stored in a State warehouse shall be weighed, graded and classed by the manager thereof, and it shall not be necessary for the same to be weighed by a public weigher for any purpose.

Sec. 24. Commercial paper secured by State warehouse receipts issued under this act may be used as an investment for capital, surplus and reserves of all life insurance companies, fire insurance companies, or accident insurance companies and trust and surety companies chartered under the laws of this State or operating in this State, the same as if such paper were municipal bonds or other securities in which such companies are now permitted by law to invest.

Sec. 25. The manager of any warehouse operating hereunder, or any employee or servant at a warehouse who issues or aids in issuing a receipt, knowing that the goods for which said receipt is issued have not been actually received in the warehouse or are not under the control of the manager thereof, shall be guilty of a felony and upon conviction shall be punished for each offense by confinement in the State penitentiary for a period not exceeding five years or by a fine not exceeding five

thousand dollars, or by both such fine and imprisonment.

Sec. 26. Any manager of a warehouse or any employe or servant at a warehouse who fraudulently issues or aids in fraudulently issuing a receipt for goods, knowing that the same contains any false statement, other than that defined by Section 25 hereof, he shall be guilty of a felony and upon conviction shall be punished for each offense by confinement in the State penitentiary for any period of time not exceeding two years or by fine not exceeding one thousand dollars, or by both such fine and imprisonment.

Sec. 27. Any manager of or any employe or servant at a warehouse under this act who issues or aids in issuing a duplicate or additional negotiable receipt for goods, knowing that a former negotiable receipt for the same, or any part thereof, is outstanding and uncanceled, without plainly placing on the face thereof the word "duplicate," as provided in the case of a lost or destroyed receipt, shall be guilty of a felony and on conviction shall be punished for each offense by confinement in the State penitentiary for any period of time not exceeding five years or by fine not exceeding five thousand dollars, or by both such fine and imprisonment.

Sec. 28. Any manager of a warehouse or servant or employe at a warehouse who delivers goods out of a warehouse, knowing that a negotiable receipt, the negotiation of which would transfer the right to the possession of the goods, is outstanding and uncanceled, without obtaining possession of such receipt at or by the time of its delivery, except in case of a lost or destroyed receipt, shall be guilty of a felony and upon conviction shall be punished for each offense by imprisonment in the State penitentiary for any period of time not exceeding one year, or by fine not exceeding one thousand dollars, or by both such fine and imprisonment.

Sec. 29. Any person who deposits goods in a warehouse, under this act, to which he has no title or upon which there is a lien or mortgage and who takes for such goods a negotiable receipt which he afterwards negotiates for value with intent to deceive and without disclosing his want of title or the existence of a lien or mortgage shall be guilty of a felony, and upon conviction be punished for each offense by imprisonment in the State penitentiary for any period of time not exceeding five years or by fine not exceeding five thousand dollars, or by both such fine and imprisonment.

Sec. 30. Any person who wilfully and knowingly violates any of the provisions of this act for which a penalty is not otherwise provided, or who wilfully and knowingly does any act or thing prohibited for which a penalty is not otherwise provided, or who wilfully or knowingly fails to do anything herein provided for, for which a penalty is not otherwise provided, shall be guilty of a misdemeanor and upon conviction shall be punished by a fine not exceeding one thousand dollars or by confinement in the county jail for a term of not exceeding one year or by both such fine and imprisonment.

Sec. 31. It is further provided that the Commissioner may lease wheat and grain elevators and hay warehouses and store and issue receipts for wheat and grain and hay in the same manner as herein provided for cotton, and to the same extent, should it become necessary in furtherance of the general public purposes of this act; and that in so doing all the provisions of this measure with reference to cotton shall apply, so far as practicable.

Sec. 32. If any particular section of this act shall be held unconstitutional, such holding shall not invalidate any other portion thereof.

Sec. 33. Nothing in this act shall be considered as applying to private warehouses owned by corporations or associations, where such warehouses are not leased to or under the examination and control of the Commissioner of Insurance and Banking.

Sec. 34. Nothing in this act shall be construed to repeal the law relating to public warehouses and private warehouses as provided in the Act of the Thirty-third Legislature of Texas, Chapter 37, First Called Session. It being the purpose of this act to create and regulate State bonded warehouses, and to leave in force the law providing for and regulating public warehouses and private warehouses as provided in said Act of the Thirty-third Legislature, Chapter 37, First Called Session.

Sec. 35. The importance of the legislation proposed in this act and the necessity of providing immediately sufficient warehouses to store the cotton products of this State, in view of the financial disturbances due to the European wars, creates an emergency and an imperative public necessity requiring that the constitutional rule providing bills shall be read on three several days in each house

shall be suspended and the said rule is so suspended, and this act shall take effect from and after its passage, and it is so enacted.

Pending discussion, Senator Brelsford moved that the reading clerk, by direction of the Free Conference Committee, read such part of the report that had been amended by the Senate or the committee.

Senator Astin moved, as a substitute, that the report be printed in the Journal and that no further action be had on the bill this day.

Senator Bailey of Harris moved to table the substitute motion, which motion to table was adopted.

Senator Astin called for the reading of the report in full and

Senator Hudspeth made the point of order that the bill had been, in compliance with the Constitution, read on three several days.

Senator Clark moved the previous question on the motion by Senator Brelsford, which being duly seconded, was so ordered.

The motion by Senator Brelsford, that such section of the bill that had been amended be read, was then adopted.

Senator Astin then renewed his request for the reading of the bill in full.

Here Senator McNealus moved that the Senate adjourn until 10 o clock tomorrow morning. The motion was lost.

Action recurred on the Free Conference Committee Report on House bill No. 1 and pending discussion the Chair directed the report to be read in full.

At the conclusion of the reading of the report, Senator Wiley made the point of order that part of the bill relating to investments by insurance companies, not being any part of the bill when placed in Free Conference and not at any time considered by the Senate in connection with the bill, constitutes new matter and should not be considered or included in the bill reported. Cited as authority Jefferson's Manual, Section 539; Sections 1693, 1694 and 1695, Legislative Manual, 1913.

The Chair, Senator Townsend, overruled the point of order.

The report, having been read, was adopted by the Senate by the following vote:

Yeas—24.

Astin.	Carter.
Bailey of DeWitt.	Clark.
Bailey of Harris.	Collins.
Brelsford.	Conner.
Cowell.	McNealus.
Darwin.	Real.
Gibson.	Taylor.
Greer.	Terrell.
Harley.	Townsend.
Hudspeth.	Warren.
Johnson.	Westbrook.
McGregor.	Willacy.

Nays—2.

Lattimore.	Wiley.

Absent.

Hall.

Absent—Excused.

Morrow.	Watson.
Nugent.	

Senator Willacy moved to reconsider the vote by which the report was adopted and lay that motion on the table.

The motion to table was adopted.

HOUSE MESSAGE.

Hall of the House of Representatives, Austin, Texas, September 10, 1914.

Hon. Robt. L. Warren, President Pro Tem. of the Senate.

Sir: I am directed by the House to inform the Senate that the House has passed the following resolutions:

H. C. R. No. 10, memorializing the Federal Reserve Board to hasten the establishment of Federal Reserve Banks.

H. C. R. No. 9, requesting Congress to enact immediate legislation beneficial to agricultural and commercial interests.

Respectfully,
W. R. LONG,
Chief Clerk, House of Representatives.

SIMPLE RESOLUTION.

By Senator Bailey of DeWitt:

Resolved, That 500 extra copies of Senate bill No. 12 be printed for the use of the Senate and Senators.

The resolution was read and adopted.

ADJOURNMENT.

On motion of Senator Clark the Senate, at 6:15 o'clock p. m., adjourned until 10 o'clock tomorrow morning.

APPENDIX.

COMMITTEE REPORTS.

Committee Room,
Austin, Texas, September 10, 1914.

Hon. Robt. L. Warren, President Pro Tem. of the Senate.

Sir: Your Committee on Commerce and Manufactures, to whom was referred

S. B. No. 11, A bill to be entitled "An Act to prohibit any person, firm or association of persons, operating a cotton seed oil mill in this State, or any member, agent or employee of either from owning, operating or holding any character of interest in a public cotton gin in this State; also to prohibit any officer, director, agent or employee of any corporation operating a cotton seed oil mill in this State from owning, operating or holding any character of interest in a public cotton gin in this State, providing the time the act shall become effective and fixing penalties,"

Have had the same under consideration and I am instructed to report the same back to the Senate with the recommendation that it do pass.

COLLINS, Chairman.

Committee Room,
Austin, Texas, September 10, 1914.

Hon. Robt. L. Warren, President Pro Tem. of the Senate.

Sir: Your Judiciary Committee No. 1, to whom was referred

S. B. No. 12, A bill to be entitled "An Act further regulating banks and bank and trust companies incorporated under the laws of Texas by granting authority to all such corporations to become members of Federal reserve banks; defining demand deposits and time deposits within the meaning of the act; prescribing the amount of reserve for all such banking corporations chartered under the laws of Texas which do not become members of a Federal reserve bank and stating where such reserve shall be kept and maintained; defining the amount of reserve to be maintained by all banking corporations chartered under the laws of Texas which become members of a Federal reserve bank and stating how and in what manner and where such reserve shall be maintained; prescribing that State banks becoming members of a Federal reserve bank shall have all rights permitted them under the Federal Reserve Act as to reserve deposits with State banks and trust companies; conferring authority on State banking corporations which become members of a Federal reserve bank to conform to the Federal Law as now or hereafter enacted and all rules and regulations promulgated relative thereto by lawful authority, and providing that such banks shall be subject to all limitations of law and such rules and regulations as are now or may be hereafter enacted or promulgated; defining the kind and character of money which may be held as reserve by banking corporations incorporated under the laws of Texas which become members of a Federal reserve bank; prescribing that State banks becoming members of a Federal reserve bank shall be required to conform to the provisions of law imposed upon national banks respecting limitations of liability and prohibitions against making purchases of or loans on stocks of such banks, and to withdrawal or impairment of capital, the payment of unearned dividends and to such rules as may be prescribed by the Federal Reserve Board in pursuance of the Federal Reserve Act; setting forth the terms and conditions under which State banks may pledge or hypothecate collateral security for money borrowed upon bills payable, certificates of deposit or otherwise; conferring authority upon State banks which become members of a Federal reserve bank to discount to such Federal reserve bank notes, drafts, and bills of exchange arising out of actual commercial transactions and defining the terms of such discount; prescribing that the lien and rights obtained by a Federal reserve bank upon the discount of such paper shall be a first and preference lien; prescribing certain rules and regulations with reference to State banks which are declared insolvent and a receiver or other liquidating agency appointed; prescribing a limitation on loans which may be made to any individual, corporation, company or firm by a banking corporation chartered under the laws of this State; prescribing certain duties and conferring certain rights upon the Commissioner of Insurance and Banking with reference to banking corporations chartered under the laws of this State; prescribing the amount of indebtedness which may be created by a banking corporation chartered under the laws of this State, and declaring an emergency,"

Have had same under consideration, and I am instructed to report same back to the Senate with the recommendation that it do pass.

CARTER, Acting Chairman.