

A PROPOSAL FOR A GUARANTEE FUND TO INSURE BANK DEPOSITORS.

(1) A guarantee fund shall be established, with the approval of the Federal Reserve Board, by each of the twelve Federal Reserve Banks, for the protection of depositors in all member banks of the district.

This guarantee fund shall be created by a moderate tax on deposits, adopting, so far as it is possible the insurance principle of making the premium reasonably commensurate with the risk.

(2) This guarantee fund shall apply, not only to all national banks, but all State banks, members of the Federal Reserve System.

(3) On all deposits subject to check without notice, and not paying interest, member banks shall be required to pay into the guarantee fund a monthly fee at the rate of $1/10$ of one per cent annually, upon said demand deposits, less the amount of capital of the bank.

On active accounts subject to check, upon which interest is allowed, member banks shall be required to pay into the said guarantee fund a monthly fee at the rate of $2/10$ of one per cent annually upon all such deposits upon which 2 per cent interest is paid.

On active deposit accounts carrying interest as high as 3 per cent, the member bank shall be required to pay into the guarantee fund a monthly fee at the rate of $3/10$ of one per cent annually.

The rate of the fee shall increase parri pasu as the interest allowed on deposits increases.

(4) On all savings or time deposits upon which 3 per cent or less is paid, there shall be paid into the guarantee fund a monthly fee at the rate of $1/10$ of one per cent annually on all such deposits.

On savings bank or time deposits upon which more than 3 per cent and not more than $3\frac{1}{2}$ per cent is paid a monthly fee at the rate of $2/10$ of one per cent annually shall be paid.

On all savings or time deposits upon which more than $3\frac{1}{2}$ per cent or not more than 4 per cent is paid, said member banks shall pay into said guarantee fund a monthly fee at the rate of $3/10$ of one per cent annually on all such deposits.

This table will be carried on, advancing the fee rate $1/10$ of one per cent for each $1/2$ per cent in the rate of interest allowed.

(5) In case of the failure of a bank it shall be the duty of the liquidator of the bank, be it National bank or State bank, to certify as promptly as possible to the Federal Reserve Bank of the District, all balances to the credit of the individual depositors, less any claims or offsets which may have been proven against such account. Immediately upon receipt of said certificate the Federal Reserve Bank is hereby required forthwith to pay all depositors of \$3,000 or less the amount in full out of its guarantee fund or such other funds as the Reserve Bank may have in its possession, and all depositors of amounts in excess of \$3,000 - 75 per cent of their deposits shall be paid forthwith and the remainder within one year of receipt of the filing of the certificate. Upon the payment of the said certificate by the Federal Reserve Bank it shall stand in relation to receiver or liquidator of the bank's affairs, the same as the depositor whose balance it has paid on the certification of said receiver or liquidator. All rights the depositor may have or ever had in the premises shall be subrogated and inure to the benefit of the Federal Reserve Bank.

(6) The several Federal Reserve Banks shall, subject to the rules promulgated by the Federal Reserve Board from time to time, inaugurate, establish and administer the affairs of the above mentioned guarantee fund system.

June 11, 1918.