CHAPTER 97.

[H. B. 312.]

GUARANTY OF BANK DEPOSITS.

AN ACT relating to banks, providing for the security of deposits thereof, including certain deposits of public funds, creating a depositors' guaranty fund, providing for the administration thereof, prescribing the powers and duties of certain officers with reference thereto and providing penalties for violation thereof, and amending sections 2, 4, 8, 9, 11, 13, 14, 15, 17, and 19 of Chap. 81, Laws 1917, and further amending said Chapter by adding thereto certain sections to be designated 22A, repealing section 12 of said Chapter.

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

SECTION 1. That Section 2 of Chapter 81 of the Laws of 1917 be amended to read as follows:

Section 2. There shall be created for the protection and security of depositors in banks, a fund which shall be known as the "Washington Bank Depositors' Guaranty Fund" and shall consist of cash equal to one per cent of the total amount of annual average deposits, eligible to guaranty, of all such member banks, to be deposited with the fund by such member banks in proportion to their respective annual average deposits eligible to guaranty.

There shall also be created a fund to be called the Contingent Fund from which shall be paid the expenses incurred by the Guaranty Fund Board and also any losses which may be sustained through the failure of any member bank. An assessment of not to exceed one-tenth (1/10) of one per cent of the average deposits eligible for guaranty for the preceding year shall be levied by the board on or before the 30th of January of each year, until such time as the Contingent Fund shall equal three (3%) per cent of all of the deposits eligible for guaranty in all member banks: Provided, however, That with-
in thirty days from the date upon which this act takes effect the Guaranty Fund Board shall levy an assessment of one-tenth (1/10) of one per cent of the deposits eligible for guaranty for the preceding year, which assessment shall be the only assessment made for the benefit of the Contingent Fund for the calendar year 1921. The Guaranty Fund Board may appropriate from the Contingent Fund such funds as it may deem necessary to cover the authorized expenses of the board.

SEC. 2. That Section 4 of Chapter 81 of the Laws of 1917 be amended to read as follows:

Section 4. Within thirty (30) days after the taking effect of this act, the Board shall meet at the state capitol and organize, and shall have power from time to time to adopt, publish and enforce reasonable rules and regulations governing the admission of banks as members of the fund, and prescribing the duties of member banks, not inconsistent with the provisions of this act or the laws relating to banks, and defining the boundaries of banking districts and regulating the rate of interest to be paid by member banks in such districts, and shall have power to provide the necessary books, records and other supplies, and the necessary assistance, and pay the necessary expenses for carrying out the provisions of this act, and for the protection and development of the Washington Bank Depositors Guaranty Fund, and the cost of all such supplies, assistance and expenses shall be paid out of the Contingent Fund by resolution of the Board authorizing the same and entered upon its minutes, and upon vouchers approved by the chairman of the Board. And the Board shall have power to designate guaranteed banks as depositaries for all moneys in the funds provided for by this Act, or to invest the Contingent Fund in such securities as are eligible for the security of Postal Savings
Funds, under such rules and regulations as the Board may from time to time, adopt: Provided, That income derived from the investments made under the provisions of this Act shall be credited to the Contingent Fund.

Sec. 3. That Section 8 of Chapter 81 of the Laws of 1917 be amended to read as follows:

Section 8. If the Board shall be satisfied with the report of the Director of Taxation and Examination and with the condition and management of said bank, and shall find that said applicant bank is conducting its business in strict accordance with the law under which it is organized, and the provisions of this Act, and has an unimpaired surplus equal to ten per cent of its capital, it shall cause the secretary of the Board to notify the applicant bank that its application has been approved, and that it will be admitted to membership in the fund, upon making with the Board the deposits required by this Act, and complying with all requirements made by the Board, but no bank shall be eligible for membership in the fund unless it shall have been actively engaged in the banking business for at least one year prior to the date of its application for membership.

Sec. 4. That Section 9 of Chapter 81 of the Laws of 1917 be amended to read as follows:

Section 9. If the Board shall find from any such application for membership, and from the report of the Director of Taxation and Examination that the applicant has not the required unimpaired surplus, or is not in sound financial condition, or is not conducting its business in accordance with the provisions of this Act or that its method of conducting its business is, in the opinion of the Board, reckless or unsafe, the Board shall cause the secretary to notify the applicant of the conditions upon which it may be admitted to membership. Any bank
which shall fail or neglect for a period of sixty days, to comply with the conditions imposed by the Board and furnish proof of such compliance to the satisfaction of the Board, may have its application for membership rejected. Any bank which has been refused membership in the fund may within thirty days from the date of such refusal by the Board, appeal therefrom to the Superior Court of Thurston County, by filing with the Clerk of said court a notice of appeal, and serving a copy thereof upon the secretary of the Board, and such appeal shall be heard de novo by said court.

Sec. 5. That Section 11 of Chapter 81 of the Laws of 1917 be amended to read as follows:

Section 11. On or before the 10th day of January of each year, each guaranteed bank shall certify under oath to the secretary of the board, the amount of deposits eligible to guaranty under the provisions of this act, and the amount of deposits not eligible to guaranty, in such bank at the close of business as of the dates during the preceding year, upon which official calls for reports were made by the Director of Taxation and Examination and the average deposits eligible to guaranty, and the average deposits not eligible to guaranty, for the preceding calendar year shall be based upon the average of the amounts shown upon call dates. On or before the 30th of January of each year, the guaranty fund board shall determine the amount which shall be deposited to the credit of the board for the current calendar year which amount shall be equal to one (1%) per cent of the average eligible deposits for the preceding calendar year, unless such fund has been impaired by losses which are not replaced by assessments as hereinafter provided. When the member bank shall be advised of the amount which it shall deposit to the credit of the guaranty fund board, it shall at once enter such
credit to the account of the guaranty fund board upon its individual ledger and shall charge a like amount on its general ledger, which account shall be known as INTEREST IN GUARANTY FUND, and shall be so shown and reported at all times. The Guaranty Fund shall be adjusted each year, the member banks being charged or credited according to the amount of increase or decrease in deposits eligible to guaranty for the preceding year. Should this fund be impaired through losses or otherwise, the board may in its discretion levy an assessment of not to exceed one-half (1/2) of one per cent per annum of the deposits eligible for guaranty for the preceding year; such assessments for the benefit of the Guaranty Fund may be made only for the purpose of making good impairments of such fund. Any funds in the Guaranty Fund may be used in paying the owners of guaranteed deposits in member banks, but not until the Contingent Fund shall have been depleted.

Any losses which may be recovered from the converting of the assets of failed banks into cash, shall be credited first to the Contingent Fund, until the amount of such fund shall have reached the proportions it would have reached at that time, had there been no payments made from said fund on account of losses, the balance of such sums so realized from the assets of failed banks shall be credited to the Guaranty Fund: Provided, That no bank shall receive a benefit from any recoveries made from the collection of assets of failed banks in excess of the amount which such bank shall have contributed to the Guaranty Fund because of such failure.

Sec. 6. That Section 13 of Chapter 81 of the Laws of 1917 be amended to read as follows:

Section 13. If after the passage of this act, any guaranteed bank, or the board of directors, or any officer thereof, shall pay interest on any form of membership for reckless dealings.
of deposits on different terms than those, or at a rate in excess of that, approved by the Guaranty Fund Board from time to time, and that shall be uniform within each district; shall be deemed to be reckless, and its certificate as a member of the guaranty fund, may, in the discretion of the Board, be cancelled: Provided, however, That any existing contract for higher rates of interest, entered into before the passage of this act, may be carried out unimpaired, and such existing contract shall not disqualify such bank from becoming a member of the fund, if it is, in the opinion of the Board, otherwise eligible. If any managing officer of any guaranteed bank, or any person acting in its behalf or for its benefit, shall pay, or promise to pay any depositor in such bank, either directly or indirectly, any interest, on different terms than those, or a rate in excess of, or in addition to the maximum rate, approved by the Board for the district in which such bank is engaged in business, or shall, with intent to evade any of the provisions of this act, pledge the time certificate, or other obligation of such bank, as security for the personal obligation of himself or any other person, or shall display or publish any card or other advertisement, tending to convey the impression that the deposits of such bank are guaranteed by the State of Washington, either directly or indirectly, the certificate of such bank as a member of the guaranty fund shall be cancelled, and its cash deposited for the benefit of the guaranty fund shall be forfeited. Any managing officer of any bank or any person acting in its behalf or for its benefit, who shall display any card, or publish any advertisement, or make any statement, to the effect that its depositors are guaranteed by the Washington Bank Depositors' Guaranty Fund, when such bank is not a member of such fund, or is not authorized so to do under the provisions
of this act, shall be guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine of not less than five hundred, nor more than one thousand dollars.

Sec. 7. That Section 14 of Chapter 81 of the Laws of 1917 be amended to read as follows:

Section 14. If at any regular or special examination of a guaranteed bank made by or under the direction of the Director of Taxation and Examination or the Board, it shall be found that such bank is violating any of the provisions of this act, the laws relating to banks, or any of the rules and regulations, that the Guaranty Fund Board may from time to time adopt, the Director of Taxation and Examination shall notify such bank of such violations, and require the same to comply with the provisions of this act within thirty days from the date of such notice; and if at the expiration of thirty days, such provisions have not been complied with, the certificate of membership of such bank in the Guaranty Fund, may in the discretion of the Board be cancelled and all or any part of its deposits with the Guaranty Fund Board forfeited. Any deposits so forfeited shall be collected by the Director of Taxation and Examination and shall be transferred to the Contingent Fund.

Sec. 8. That Section 15 of Chapter 81 of the Laws of 1917 be amended to read as follows:

Section 15. If any guaranteed bank shall fail or neglect, for a period of thirty days after any assessment has been made against such bank, as provided in this act, to remit or credit, as the case may be, the amount of such assessment to the Secretary of the Guaranty Fund Board, there shall be added to such assessment a penalty of not to exceed fifty per cent of the amount thereof, and such assessments shall constitute a first lien on all of the assets
of said bank. Upon the failure of any guaranteed bank to remit, or credit, as the case may be, any assessment made against it in accordance with the provisions of this act, the Director of Taxation and Examination shall immediately cause such bank to be examined, and if it is found to be insolvent, he shall take charge of and liquidate such bank according to law. Whenever the certificate of any guaranteed bank, as a member of the guaranty fund, shall be cancelled as hereinabove provided, the secretary of the Board shall cause to be displayed in a conspicuous place in the banking rooms of such bank, continuously for six months, a card not smaller than twenty by thirty inches, containing in large plain type the following words: "This bank has withdrawn from the bank depositors' guaranty fund, and the guaranty of its deposits will cease on and after the .... day of ............... 19..."

The date on such card shall be a date six months after the first posting of such card.

SEC. 9. That Section 17 of Chapter 81 of the Laws of 1917 be amended to read as follows:

Section 17. Any guaranteed bank may withdraw from the Guaranty Fund upon giving notice to that effect in writing to the Secretary of the Guaranty Fund Board; upon displaying a card in a conspicuous place in its banking rooms as provided in Section 15 of this act, for a period of six months from the date of notice of withdrawal; upon paying all assessments and obligations made against it for the benefit of the Guaranty and Contingent Funds, and upon depositing with the Secretary of the Guaranty Fund Board, in addition to the amount to the credit of the Guaranty Fund Board in said bank; an amount equal to one-half of one per cent of its annual average deposits eligible to guaranty for the preceding year, which sum shall be retained as a guaranty for the payment of any
assessments made for the benefit of the Guaranty Fund, for a period of twelve months from and after the date notice of withdrawal shall have been received by the Secretary of the Guaranty Fund Board, for which said assessments said bank shall be liable. Upon the expiration of the said twelve months' period, said bank shall be entitled to a refund of any unused portion of any deposits made for the benefit of the Guaranty Fund.

SEC. 10. That Section 19 of Chapter 81 of the Laws of 1917 be amended to read as follows:

Section 19. Whenever the Director of Taxation and Examination shall have issued warrants in payment of claims for guaranteed deposits of any failed bank, such claims and all rights of action and remedies of the depositors therefor, shall inure to the Director of Taxation and Examination for the benefit of the Contingent and Guaranty Funds, and all sums realized therefrom shall be paid into such funds.

SEC. 11. That Section 12 of Chapter 81 of the Laws of 1917 is hereby repealed.

SEC. 12. The powers and duties conferred by this act on the Director of Taxation and Examination shall be exercised and performed by the bank commissioner until such time as the Director of Taxation and Examination shall be appointed, qualified and assume and exercise the duties of his office.

Passed the House, March 3, 1921.
Passed the Senate, March 7, 1921.
Approved by the Governor March 16, 1921.