

By Mrs. Gibson of Belmont, petition of Mary Jane Gibson and another for legislation to permit co-operative banks to become members of the Federal Deposit Insurance Corporation. Banks and Banking.

## The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Five.

### AN ACT PERMITTING CO-OPERATIVE BANKS TO BECOME MEMBERS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. Sections 6 and 7 of Chapter 167F inserted by  
2 Section 9 of Chapter 155 of the Acts of 1982 are hereby stricken  
3 and the following new Section 6 is inserted in place thereof: —  
4 A bank may become a member of (i) the Federal Deposit  
5 Insurance Corporation, subject to the provisions of the act of  
6 Congress approved in nineteen hundred and fifty, known as the  
7 Federal Deposit Insurance Act, or (ii) the Federal Savings and  
8 Loan Insurance Corporation, subject to the provisions of the act  
9 of Congress, approved in nineteen hundred and thirty-four,  
10 known as the National Housing Act, or (iii) or any successor of  
11 either corporation, and may terminate its membership at any time;  
12 provided, however, that such authority to terminate insurance  
13 shall not apply to a trust company chartered under the provisions  
14 of chapter one hundred and seventy-two. A member of the Deposit  
15 Insurance Fund of the Mutual Savings Central Fund, Inc., estab-  
16 lished by chapter forty-three of the acts of nineteen hundred and  
17 thirty-four, shall also be subject to sections twelve to seventeen,  
18 inclusive of said chapter forty-three, as amended by section ten of  
19 chapter three hundred and twenty-four of the acts of nineteen  
20 hundred and fifty-six. A member of the Share Insurance Fund of  
21 The Co-operative Central Bank, established by chapter seventy-  
22 three of the acts of nineteen hundred and thirty-four, shall also be

23 subject to the provisions of sections eleven to sixteen, inclusive, of  
24 said chapter seventy-three.

25 The Federal Deposit Insurance Corporation/or the Federal  
26 Savings and Loan Insurance Corporation, upon payment of the  
27 insured portion of any share, deposit or other accounts in a bank  
28 so insured, shall, subject to the provisions of said section seventeen  
29 of said chapter forty-three, as amended by sections one and two of  
30 chapter one hundred and seventy-five of the acts of nineteen  
31 hundred and sixty-one, or the provisions of section sixteen of said  
32 chapter seventy-three, be subrogated to the rights of the person to  
33 whom the insurance was so paid to receive the same distribution  
34 from the proceeds of the assets and claims of the bank as would  
35 have been payable to that person on a claim for the portion of the  
36 deposit insured by the Federal Deposit Insurance Corporation or  
37 the Federal Savings and Loan Insurance Corporation; but that  
38 person shall retain the right to receive distribution on so much of  
39 the person's claim as represents the uninsured portion of the share,  
40 deposit or other account.

1 SECTION 2. Section 8 of Chapter 167F as most recently  
2 amended by Chapter 155 of the Acts of 1982 is renumbered as  
3 Section 7.

1 SECTION 3. Section 9 of said Chapter 167F is renumbered as  
2 Section 8.

1 SECTION 4. Chapter 73 of the Acts of 1934 as amended is  
2 hereby further amended by striking Sections 11, 12, 13, 14, 15, and  
3 16 thereof and inserting the following new Sections 11, 12, 13, 14,  
4 15 and 16:

5  
6 **Member Bank Applying for Membership in**  
7 **Federal Savings and Loan Insurance Corporation**  
8 **or Federal Deposit Insurance Corporation to**  
9 **Give Written Notice**  
10 **to Commissioner and Co-operative Central Bank.**

11 Section 11. Any member bank which shall apply for member-  
12 ship in either the Federal Savings and Loan Insurance Corpora-  
13 tion or the Federal Deposit Insurance Corporation, referred to in

14 section six of chapter one hundred and sixty-seven F of the General  
15 Laws, shall forthwith give written notice thereof to The Co-op-  
16 erative Central Bank, and to the commissioner. If such application  
17 is accepted and such member bank is notified that the said insur-  
18 ance corporation is willing to insure its shares, accounts and  
19 deposits (referred to as accounts in this section and in sections  
20 twelve to sixteen inclusive) such member bank may become a  
21 member of the Federal Savings and Loan Insurance Corporation  
22 subject to the terms and conditions set forth in this section and  
23 sections twelve, thirteen, fourteen and sixteen; provided, that such  
24 membership shall have been approved by vote of at least two-thirds  
25 of the directors of such bank and by vote of at least two-thirds of its  
26 shareholders present and voting at an annual or special meeting of  
27 the shareholders, notice of which meeting shall be given by the  
28 clerk as provided in the by-laws of such bank and shall contain a  
29 statement that such membership is to be considered and acted  
30 upon at such meeting.

31                   **Member Bank Becoming A Member of**  
32                   **Federal Savings and Loan Insurance Corporation**  
33                   **or Federal Deposit Insurance Corporation to**  
34                   **File Copies of Certain Notices and Votes**  
35                   **with Commissioner and Co-operative Central Bank.**  
36                   **Resulting Liability of Member Bank**  
37                   **for Assessments.**

38       Section 12. When any member bank which has applied for  
39 membership in the Federal Savings and Loan Insurance Cor-  
40 poration or the Federal Deposit Insurance Corporation shall have  
41 complied with all requirements prerequisite to such membership  
42 and shall have received notice in writing from said corporation  
43 that it is a member thereof and its accounts are insured thereby,  
44 such member bank shall file copies of said notice and of the votes  
45 of its directors and shareholders provided in section eleven, certi-  
46 fied by its president and its clerk, with the commissioner and with  
47 The Co-operative Central Bank, and shall thereupon give written  
48 notice thereto and to the commissioner of the acquisition of such  
49 membership. Except with the approval of at least two-thirds of the  
50 directors of The Co-operative Central Bank, and subject to such  
51 conditions as they may approve, no member bank may become a

52 member of the Federal Savings and Loan Insurance Corporation  
53 or the Federal Deposit Insurance Corporation so long as any  
54 financial assistance granted by the Share Insurance Fund to such  
55 bank remains unpaid or has not been compromised or settled.  
56 On the effective date of such membership, the insurance of the  
57 accounts of such bank by the Share Insurance Fund, to the extent  
58 that such accounts shall then or thereafter be insured by the Federal  
59 Savings and Loan Insurance Corporation or the Federal Deposit  
60 Insurance Corporation shall terminate and such bank shall not be  
61 liable for any further assessments to the Share Insurance Fund,  
62 except for (a) unpaid annual assessments due and payable on or  
63 before the preceding July first, and (b) for any other unpaid assess-  
64 ments due and payable prior to the effective date of such mem-  
65 bership, and (c) for all annual excess insurance assessments and  
66 special assessments required of such bank by section sixteen.

67           **Notice to Shareholders and Others of Membership in**  
68           **Federal Savings and Loan Insurance Corporation or**  
69           **Federal Deposit Insurance Corporation**

70       Section 13. Not later than thirty days after the effective date of  
71 such membership such bank shall give notice to its shareholders,  
72 by publication or mailing or both, relative to such membership  
73 and the termination of the insurance of its accounts by the Share  
74 Insurance Fund to the extent provided in section twelve, as the  
75 commissioner shall prescribe. Promptly upon the giving of such  
76 notice, such bank shall advise the commissioner and The Co-op-  
77 erative Central Bank in writing that notice has been so given and  
78 shall furnish to them copies of such notice. If such bank fails to  
79 give such notice to its shareholders, The Co-operative Central  
80 Bank may, at the expense of such bank give the notice to share-  
81 holders prescribed by the commissioner.

82           **Refund of Assessments Paid by Member Bank to Fund**

83       Section 14. Upon the acquisition of membership by any mem-  
84 ber bank in the Federal Savings and Loan Insurance Corporation,  
85 or in the Federal Deposit Insurance Corporation in the manner  
86 prescribed in sections eleven, twelve and thirteen, the following  
87 provisions shall apply to the assessments theretofore paid by such  
88 bank into the Share Insurance Fund: —

89 (a) The Share Insurance Fund shall, subject to any repayment  
90 made under section one, repay in cash to such bank an amount  
91 equal to one-half of its assessment of one per cent of share liabilities  
92 made under section one in nineteen hundred and thirty-four,  
93 sometimes referred to as the original assessment; provided, that  
94 such repayment shall not be made to such bank prior to the expiration  
95 of six months from the effective date of its membership in the  
96 Federal Savings and Loan Insurance Corporation or the Federal  
97 Deposit Insurance Corporation as provided in section twelve, nor  
98 prior to April thirtieth, nineteen hundred and fifty-nine, whichever  
99 is later, but the directors of The Co-operative Central Bank, with  
100 the approval of the commissioner may, by a two-thirds vote,  
101 provide for earlier payment thereof by agreement with such bank;

102 (b) The sums representing the unpaid portion of said original  
103 assessment, and all annual assessments and unpaid special assessments  
104 made under sections one and sixteen and any other assessments  
105 at any time paid by such bank including any assessments  
106 under section fifteen, shall be retained by the Share Insurance  
107 Fund and subject to repayments authorized by section one, such  
108 bank shall be entitled to participate therefore in the net assets of  
109 the Fund in the event of its dissolution and liquidation in the  
110 manner and to the extent provided in section nine.

111 **Termination of Membership**  
112 **in Federal Savings and Loan Insurance Corporation or**  
113 **Federal Deposit Insurance Corporation**

114 Section 15. If at any time a member bank which has become a  
115 member of the Federal Savings and Loan Insurance Corporation  
116 or the Federal Deposit Insurance Corporation shall cease to be a  
117 member thereof and if the commissioner shall certify to the directors  
118 of The Co-operative Central Bank that in his opinion such  
119 bank is in a sound and safe condition to transact and to continue to  
120 transact the business for which it is organized, all of the accounts  
121 of such bank theretofore insured by the Federal Savings and Loan  
122 Insurance Corporation or the Federal Deposit Insurance Corporation  
123 shall forthwith be insured by the Share Insurance Fund  
124 as provided in this act and such bank shall thereafter be entitled to  
125 all the benefits and subject to all the obligations of a bank the

126 shares and accounts of which are fully insured by the Share Insur-  
127 ance Fund. Such bank forthwith shall pay to the Share Insurance  
128 Fund the annual assessment provided by section one which would  
129 have been due and payable on the preceding July first had the  
130 shares and accounts of such bank been at such time fully insured  
131 by such Fund, and within such time as the directors of The Co-  
132 operative Central Bank, with the approval of the commissioner,  
133 may prescribe, shall pay as an assessment (1) an amount equal to  
134 the one-half of one per cent of the original assessment referred to in  
135 section fourteen, or such other portion thereof as shall have been  
136 repaid to such bank after becoming a member of the Federal  
137 Savings and Loan Insurance Corporation or the Federal Deposit  
138 Insurance Corporation, and (2) an amount equal to the sum of any  
139 special assessments made under section one after such bank shall  
140 have become a member of such insurance corporation. If the  
141 commissioner shall fail to certify with respect to any such bank as  
142 hereinbefore provided, he shall take possession of the property  
143 and business of such bank, as provided in and subject to the  
144 provisions of section twenty-two, chapter one hundred and sixty-  
145 seven of the General Laws.

146 **Portions of Shares and Accounts Not Covered by**  
147 **Federal Savings and Loan Insurance Corporation**  
148 **or Federal Deposit Insurance Corporation**  
149 **to be Covered by Fund.**

150 **Excess Insurance Assessments. Subrogation.**

151 Section 16. The portions of the shares and accounts of all  
152 member banks which shall have become members of the Federal  
153 Savings and Loan Insurance Corporation or the Federal Deposit  
154 Insurance Corporation in excess of ten thousand dollars or of such  
155 other sums as from time to time shall be insured by the Federal  
156 Savings and Loan Insurance Corporation or the Federal Deposit  
157 Insurance Corporation, hereinafter referred to as excess accounts,  
158 shall continue to be insured in full by the Share Insurance Fund,  
159 hereinafter referred to as excess insurance, subject to the following  
160 conditions and limitations: —

161 (a) On July first of each year after becoming a member of the  
162 Federal Savings and Loan Insurance Corporation or the Federal

163 Deposit Insurance Corporation such member bank shall pay to  
164 the Share Insurance Fund an annual excess insurance assessment  
165 at the same percentage rate fixed for the annual excess insurance  
166 assessment for such year under section one, computed upon the  
167 member bank's excess accounts and notes payable as shown by its  
168 last preceding annual report to the commissioner. Such member  
169 bank shall pay to the Share Insurance Fund any special assessment  
170 made under the provisions of section one, computed upon the  
171 bank's excess accounts and notes payable as above provided for  
172 annual assessments;

173 (b) During the time that such member bank is a member of the  
174 Federal Savings and Loan Insurance Corporation or the Federal  
175 Deposit Insurance Corporation it shall not be liable for any  
176 assessments to the Share Insurance Fund except as provided in  
177 section twelve and paragraph (a);

178 (c) Notwithstanding the provisions of section ten of this act,  
179 sections twenty-two or thirty-six, inclusive, of chapter one hun-  
180 dred and sixty-seven of the General Laws shall apply to a member  
181 bank so long as it is a member of and its accounts are insured in  
182 whole or in part in the Federal Savings and Loan Insurance  
183 Corporation or the Federal Deposit Insurance Corporation;

184 (d) Upon payment by the Share Insurance Fund of all or any  
185 part of the portion of any account insured by the fund in any  
186 member bank the fund shall be subrogated to the rights of the  
187 persons to whom such insurance was so paid to receive the same  
188 distribution from the proceeds of assets and claims of such bank as  
189 would have been payable to him on a claim for the portion of his  
190 account so paid by the Share Insurance Fund but he shall retain his  
191 right to receive distribution of so much of his claim against said  
192 assets to which he may be entitled after reimbursement pro rata of  
193 the claims for subrogation to the Share Insurance Fund as pro-  
194 vided in this paragraph and to the Federal Savings and Loan  
195 Insurance Corporation or the Federal Deposit Insurance Cor-  
196 poration as provided in section seven of chapter one hundred and  
197 sixty-seven F of the General Laws.

