Contents

·	ACKNOWLEDGMENTS		v
1	Introduction		1
$\frac{1}{2}$	THE HISTORY OF MUTUAL ASSISTANCE AMONG BANKS Clearinghouses 5 State Deposit Insurance Systems 6		5
- -	THE SUPPLEMENTARY DEPOSIT PROTECTION SYSTEM Background 9 Coverage of Deposits and Other Liabilities 11 Protection of the BIF and SAIF 12 Risk-based Premiums 13 Reducing Losses through Early Closure or Takeover The Monitoring Process 17 Estimated Rates for Premiums and Monitoring 19 Reduction in Federal Deposit Insurance Premiums Mandatory Coverage and a Transition Period 20 The Ability of the SDP System to Absorb Losses Enactment of the SDP System 22	15 20 21	9
	ÁPPENDIX A: HYPOTHETICAL IMPACT OF DEPOSIT GUARANTEE LOSSES ON GUARANTOR BANKS		27
	APPENDIX B: How Risk-sensitive Pricing Will Work for the SDP System		28
	APPENDIX C: ILLUSTRATION OF IMPACT OF RISK- SENSITIVE PREMIUMS ON A BANK'S STOCK PRICE		43
	APPENDIX D: DEPOSIT INSURANCE AND CROSS- GUARANTEE PREMIUMS FOR FOUR WELL-CAPITALIZED BANKS		48

	APPENDIX E: THE ABILITY OF THE THIRTY LARGEST BANK HOLDING COMPANIES ON DECEMBER 31, 1983, TO ABSORB BANK FAILURES IN THE 1984–1986	
	Period	51
	Appendix F: Impact of Risk-sensitive Premiums on the Market Value of the Common Stock of a Guaranteed Bank	55
	APPENDIX G: PRETAX RETURNS EARNED ON NEW INVESTMENT IN A GUARANTEED BANK AS THE PREMIUM RATE FOR ITS 100 PERCENT CROSS-	
	Guarantee Rises	55
	APPENDIX H: ANALYSIS OF THE BUDGET IMPACT ON THE FDIC AND THE BIF, 1980-2000	56
	APPENDIX I: ESTIMATED ASSET SHORTFALLS OF FAILED BANKS RELATIVE TO REMAINING BANK EQUITY IN "SEVERE-FAILURE" STATES, 1921–1930	64
	Notes	65