Summary of Alternative Plan for Coordinating Federal Banking Agencies

1. By Executive Order (a) merge examination, chartering, legal and statistical functions of Comptroller of the Currency with like functions of Board of Governors, (b) designate Chairman of Board of Governors as ex officio member of Board of Directors of FDIC.

2. Appoint Comptroller of the Currency, who has been the ex officio member of the FDIC, as its Chairman.

These two simple steps, which would avoid repercussions that might be caused by a three-way merger, would: give the Reserve System undivided jurisdiction over its member banks; provide a liaison, now lacking, between the Reserve Board and the FDIC; help to link national monetary policy with the examination and supervisory authority necessary to make that policy fully effective; bring about substantial savings; unify, simplify and otherwise improve administration.

The chief functions of the Comptroller which relate only to national banks, all of which are required by law to be members of the Reserve System, are: (a) examinations; (b) currency issue; (c) chartering; (d) liquidation of national banks.

As to (a), the law now gives the Reserve System authority to examine all national banks; the only reason this authority is not exercised is to avoid duplicating the Comptroller's examinations, but in the performance of its duties it is necessary for the Reserve System to have accurate current information as to all banks, State and national, within its jurisdiction; yet it either has to rely on the Comptroller's examinations, though it has no voice in how they are conducted, or subject national banks to additional examinations of its own; the shocking history of bank failures in the United States, which has spent more on bank examination than any other nation, illustrates what an ineffective protection bank examination is; its main justification today is to implement national monetary and credit policy, for which the Reserve System has the primary responsibility under the law, while the Comptroller has none; examination policy, carried out separately from monetary policy has invariably tended to negative monetary policy and to accentuate both inflation and deflation.

As to (b), Federal Reserve notes have so largely replaced national bank notes as to make this once important currency function of the Comptroller all but extinct and his title obsolete.

As to (c), the Reserve Board admits State banks to membership when they can qualify under the law, but must accept automatically as member banks such national banks as the Comptroller may charter.

As to (d), the liquidation function has already passed so largely to the FDIC that what remains of this work in the Comptroller's Office should be transferred to the FDIC.

The Reserve System, having 12 Reserve Banks with 24 branches, could house with substantial savings the Comptroller's organization now scattered in separate headquarters in Washington and the field. Under this plan, policy-making as to all member banks would be unified and administrative operations decentralized. Merging the two examination staffs would make possible one strong organization, with savings in manpower, overhead, etc. Similarly, the Comptroller's legal and statistical work can be absorbed by the legal and research staffs of the Board and Reserve Banks with further saving.