

Draft of Press Statement

In order to bring about a closer administrative coordination of the three Federal banking agencies, the President today issued an Executive Order, under authority of the First War Powers Act, merging examination and regulatory functions of the Comptroller of the Currency with similar functions of the Board of Governors of the Federal Reserve System, and providing that the Chairman of the Board shall be the ex officio member of the Board of Directors of the Federal Deposit Insurance Corporation.

At the same time, the President has nominated the Comptroller of the Currency, who has previously been the ex officio member of the FDIC Board, to be its Chairman, succeeding Mr. Leo T. Crowley, who requested that he be relieved of this responsibility so that he may devote his time to his duties as Foreign Economic Administrator.

These steps, which will make for close operating relationships between the Federal bank agencies, have been determined upon after consultation with Government officials having responsibility for national monetary, credit and supervisory measures affecting the banking system of the country.

The objective is to simplify and improve administration in the interest of efficiency and economy in the use of manpower and facilities. The purpose is solely to enable the Government to carry out its policies affecting banks as efficiently and effectively as possible in support of the Government's war financing program and the program for economic stabilization.

The banking system of the country is a vital factor in the prosecution of the war, and Federal examination and supervisory policy has an important bearing on the successful carrying out of national credit and monetary policy

as it affects the banks. The Federal banking agency charged by Congress with primary responsibility for monetary and credit policy should be in a position to integrate Federal credit policy with supervisory policy, and this will be furthered by a merger of examination, reporting, legal, statistical and other work of the Comptroller's Office with that of the Federal Reserve System and by the liaison which is provided between the Reserve Board and the FDIC.

The Federal Reserve System embraces 6700 banks, holding 87 per cent of the deposits of all commercial banks of the country. It includes all national banks; that is, all banks supervised by the Comptroller's Office. All national banks are required by law to be members of the System. They are subject to its regulations as well as to those of the Comptroller, whose principal function is that of examination. Authority to examine national banks is also vested in the Reserve System under the Federal Reserve Act. In addition to national banks, 1700 State banks have voluntarily joined the System. All banks conduct their financial transactions with the Government, including those relating to war financing, through the Reserve Banks. The Reserve System is, therefore, the logical medium through which to bring about a merger of Federal examination and regulatory functions affecting all member banks, while at the same time providing for a representation in the directorate of the FDIC in order to help bring about unified policy in all Federal examinations, regulations, reporting and related supervisory activities.

Substantial savings in manpower and facilities, which are desirable at all times and particularly necessary in wartimes when an acute manpower

shortage exists, will result from this coordination. Economies in time as well as expenditure will be made possible by unification and simplification in administering Federal law and in the issuance of regulations. By utilizing existing facilities of the Reserve System in Washington and in the 12 Federal Reserve Banks and their 24 branches throughout the country, it will be possible to save space now occupied by the Comptroller's offices in Washington and in the field. In general, overhead would be substantially reduced, separate offices would be unnecessary, separate staffs now performing similar or like functions in examination, legal, statistical and other work would be merged, with a consequent saving of manpower, and further decentralization would be brought about.

The underlying purpose is to strengthen, not to change, the dual banking system as it has been traditionally organized under Federal and State chartering and supervision, and to further the cooperative relationships long existing between Federal and State supervisory authorities by continuing and extending, wherever possible, the established practice of exchanging information, of consultation with respect to procedure and supervisory policy, and of conducting examinations and making reports on a cooperative basis.

Federal banking and credit policies thus organized and coordinated can be more effectively directed toward common objectives of economic stability during the war and in the transition from war to peace.