

Outline of Plan of Staff Organization for
Performance of Functions of Comptroller of the Currency,
FDIC and Board of Governors in Federal Supervision
of Banking.

Alternative Executive Orders have been drafted. The only important difference between them is that under one plan the Board of Governors would perform the functions of the Directors of the FDIC while under the other a single Administrator (who would be the Chairman of the Board of Governors) would take the place of the Directors of the FDIC. The corporate entity of the FDIC would not be disturbed in either case. Under both plans, the Board of Governors would perform the functions of the Comptroller of the Currency.

Unified Organization Policy

Regardless of which Executive Order is approved, the objective would be the same. Examination and other administrative policies of Federal agencies would be coordinated. Regulations dealing with subjects concerning more than one class of banks and rulings thereunder would be harmonized and the banks affected would not be subjected to conflicting Federal policies. State supervisory authority and the dual banking system would not be impaired. It would be expected that the Board of Governors and the Administrator of the FDIC would harmonize their general policies and that they would effect arrangements under which duplications in staff organizations would be eliminated both in Washington and in the field. There would be the maximum amount of decentralization of administrative functions away from Washington through unified field headquarters, so that action upon many matters might be taken at points near the banks concerned without unnecessary reference to Washington except for policy decisions. The existing Federal Reserve organization and facilities would be utilized as far as practicable. The corporate identity of the FDIC, however, would be maintained in official titles and correspondence relating to matters in its jurisdiction and there would be an equitable apportionment of expenses between the FDIC and the Federal Reserve.

Bank Examination and Supervision

In Washington there would be only one head instead of three heads of Federal examination functions and there would be only 12 field headquarters instead of 36 as at present. These field headquarters would be in the Federal Reserve Banks if practicable. This would be advantageous because of the existing facilities of the Federal Reserve Banks and the availability of experienced legal and other assistance. The Federal Reserve organizations are already dealing constantly and intimately with all classes of banks, regardless of whether they are members or not, in the administration of Federal regulations and as fiscal agents for the Treasury. They maintain close relations with State supervisory authorities in their districts.

If difficulties, not now foreseen, should arise which would prevent administration through the Federal Reserve Banks, the broad objective would still be met by combining under the Board of Governors in one field headquarters in each District, outside the Federal Reserve Bank, the examination functions of the Comptroller of the Currency relating to National banks and those of the FDIC relating to nonmember banks and credit unions with the corresponding functions of the Federal Reserve Banks. The burden of examinations and assessments could be materially reduced as to National banks and more nearly equalized as between different classes of banks which is not now the case. The difficulties of the manpower situation due to military needs could be met more easily in a combined examination force than at present in 3 separate organizations. At present the Comptroller and the FDIC make an original review in Washington of all examination reports and in many cases prepare letters of criticism which are sent by the Comptroller directly to the bank concerned and by the FDIC through the State supervisors. Under a coordinated plan the review of these examination reports for over 12,000 banks and preparation of letters of criticism might well be handled in the field with only such subsequent review in Washington as might be desirable to see that the field offices conformed to national policy. The distinctive problems of State banks would be recognized through having in the Washington and field offices, respectively, one assistant to the head of the office for State banks as well as one for National banks. Correspondence with State nonmember insured banks and State authorities with respect to nonmember insured banks would continue, in both the field offices and the Washington offices, to be handled in the name of the FDIC.

Statistical and Research Work

The statistical work in the Comptroller's Office, which mainly relates to reports of condition and earnings and expenses of National banks, and similar work of the FDIC's staff relating to nonmember banks, would be combined in the Board's Division of Bank Operations, where such work is now done in relation to reports of State member banks.

All other research and statistical work of the FDIC and of the Board of Governors would be coordinated under one director. Instead of 3 sets of publications, which often repeat the same information, there would be only one set.

Liquidation of Insolvent National Banks

The work now handled in the Comptroller's Office would be performed by the corresponding division of the FDIC. This should be easily accomplished because the functions are almost identical, the expenses are paid from the funds of the closed banks, and the entire operation, particularly as regards the Comptroller of the Currency, is rapidly diminishing.

Legal Work

Legal work in Washington relating to National banks under the Comptroller of the Currency would be performed by the Legal Division of the Board of Governors and, together with the legal work of the FDIC, would be under one General Attorney. Arrangements could be made by which legal work in the field would be performed by the legal staffs of the Federal Reserve Banks who now handle all legal problems of the Federal Reserve relating to member banks.

Personnel Work

Personnel work relating to the combined staffs of the Comptroller's Office and the Board of Governors, together with personnel work in the FDIC, could be conducted under one Director. This would be especially desirable in effecting a transition from 3 independently operated organizations to a coordinated status and also because there is a carefully worked out study for the Federal Reserve System of an executive development plan to which the Board has given its support.

Accounting, Finance and other Service Functions.

These functions in the Office of the Comptroller of the Currency would be combined with corresponding functions in the staff of the Board of Governors and, together with similar functions in the FDIC, would be performed under the direction of one or two Division heads as might seem desirable for good administration.