

Press Statement Draft for Plan A

Under authority of the First War Powers Act, the President today issued an Executive Order to consolidate and coordinate the functions, duties and powers of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the Comptroller of the Currency. Functions of the Comptroller's office and of the Federal Deposit Insurance Corporation are transferred by the Order to the Board of Governors of the Federal Reserve System.

The purpose of the Order is to establish at one point responsibility for the Government's supervisory functions with respect to all banks that are subject to Federal jurisdiction, to coordinate these functions with national monetary and credit policies, to effect economies, to avoid duplication, to decentralize and simplify so far as possible administration of Federal bank regulatory powers, and generally to support the national program for economic stabilization.

The coordination provided by the Order constitutes another step in the direction of more efficient and economical operation of the Federal Government. By bringing together divided but related governmental functions, it accomplishes administrative improvements such as were effected by the establishment of the Farm Credit Administration, the National Housing Agency, and the Foreign Economic Administration, among others.

Beyond improved and simplified administration, the Order is intended to assure close coordination of the Government's monetary and credit policies with its bank supervisory and regulatory policies. It is essential that the Government's responsibilities for these policies be carried out as effectively as possible in order to aid in the successful financing of the war and in an orderly transition from war to peace.

The Board of Governors of the Federal Reserve System has been charged by Congress with primary responsibilities in the formulation and administration of national monetary and credit policy. The System embraces 6,700 banks, holding 87 per cent of the deposits in the country's commercial banks, and includes all national banks with 1,700 State banks, which have joined the System voluntarily. Three-fourths of all member banks of the Federal Reserve System are small banks, and 6,300 of the System's members, both State and national, are classified as country banks. The System, therefore, is representative of all of the banking institutions of the United States and not merely of some groups or classes of banks. Supervision of the State member banks by the Federal Reserve authorities has long been carried out in cooperation with the State banking authorities in all the States of the Union. In view of these facts, the Federal Reserve System is the appropriate medium through which to integrate the related functions exercised by the three Federal banking agencies.

The plan of coordination will make it possible to effect substantial savings in manpower and facilities. These economies, which are desirable at all times and particularly necessary in wartime when an acute manpower shortage exists, will result from merging the agencies in Washington, as well as in the field. Similarly, further economy in time and expenditure will be made possible by simplification and avoidance of duplication in administering Federal law and in the issuance of regulations, as well as by utilizing existing facilities of the Reserve System in Washington and in the twelve Federal Reserve Banks and their twenty-four branches in principal cities throughout the country. The three Federal bank supervisory agencies are now largely housed separately in different locations in Washington and throughout the country. Contacts of the banks and of the State banking supervisors with Federal authorities will be facilitated by the

coordination. The placing of Federal responsibilities in the banking field under a unified authority rather than under three separate banking agencies will also make possible further decentralization in conducting examinations and in administration of Federal laws and regulations.

The purpose of the Order is to strengthen, not to change, the dual banking system of the country as it has been traditionally organized under Federal and State chartering and supervision. It is intended to further the cooperative relationships long existing between Federal and State supervisory authorities, both by simplifying and decentralizing Federal administrative and regulatory functions, and 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.

Through this Order, Federal banking and credit policy and machinery, brought together under a single Government authority and coordinated with the State banking authorities, can be more effectively and efficiently directed toward common objectives of economic stability during the war and in the transition from war to peace.