

## Duplicated and Overlapping Functions of Federal Supervisory Authorities

There are approximately 14,000 commercial banks which are subject in greater or less degree to some form of authority exercised by the Board of Governors, the FDIC, the Comptroller of the Currency and the Secretary of the Treasury. At least 86% of the deposits of all commercial banks are in members of the Federal Reserve System.

The Federal Reserve System lays down the requirements for admission of State banks to membership and it has authority to supervise and examine all member banks. However, charters for National banks are issued by the Comptroller, and they become members of the Federal Reserve System without any action by the Board of Governors. All member banks must be insured by the FDIC upon certification by the Board in the case of State member banks and by the Comptroller in the case of National banks. The fact that a State bank is insured by the FDIC does not entitle it to membership in the Federal Reserve System, as it must meet certain additional requirements before it can be admitted. All member banks must have licenses issued by the Secretary of the Treasury, which are still subject to revocation by him.

The Comptroller issues regulations defining and governing the investment and purchase of Government securities by National banks. These regulations are applicable also to State member banks but not to insured nonmember banks. The Comptroller enforces the regulations with respect to National banks and the Reserve System enforces the same regulations with respect to State member banks.

Although the Comptroller issues charters to National banks, they can exercise trust powers only when granted by the Board of Governors, which issues the regulations governing the exercise of trust powers. Supervision over the exercise of trust powers and compliance with the Board's regulations as to National banks, however, is in the hands of the Comptroller.

The Board of Governors issues regulations defining demand, time and savings deposits for member banks and relating to interest on such deposits. Payment of interest on demand deposits is prohibited by Federal law for all insured banks whether National, State member, or nonmember. But the regulation of the Board of Governors apply to National and State member banks only and the FDIC has separate authority which it exercises with respect to nonmember insured banks. The two sets of regulations are not identical and policies of administration are in conflict. While the Federal Reserve authorities enforce the Board's regulations as to State member banks, the Comptroller administers the Board's regulations with respect to National banks.

The Federal Reserve System is charged with the administration of the law regarding holding company affiliates of member banks; but the same holding company sometimes controls National banks, supervised by the Comptroller of the Currency; State member banks, supervised by the Federal Reserve authorities; and nonmember insured banks, supervised by the FDIC.

National banks make reports of condition and earnings and expenses to the Comptroller of the Currency; State member banks to the Board of Governors; and insured nonmember banks to the FDIC. It has required much labor and negotiation to bring these reports into reasonable harmony but the information derived from them is tabulated separately by each of the three Federal authorities for the class of banks from which it receives the reports. Each agency obtains from the other the comparable information derived from its reports and all three, to some extent, publish the same information.

The Board of Governors has jurisdiction over all banks, regardless of whether they are insured or not and whether they are members or not of the Federal Reserve System, under Regulation U, relating to loans by banking institutions on stock exchange securities. This is also the case under the Board's Regulation W, issued pursuant to an Executive Order relating to consumer credit. Nevertheless the examinations necessary to carry out these regulations are administered as to each class of bank by the Federal authority to which it is primarily responsible.

All member banks, whether National or State, are subject to the reserve requirement regulations of the Board of Governors and to the Board's regulations governing discounting facilities of the Federal Reserve Banks. All member banks also have the check clearing and currency facilities of the Federal Reserve Banks and are subject to the instructions of the Federal Reserve Banks relating thereto. Member banks have certain preferential advantages with respect to discounting at Federal Reserve Banks; they can borrow on any sound assets and they obtain the lowest rates. However, nonmember banks may also borrow from the Federal Reserve Banks to a limited extent on somewhat higher rates.

Although the fundamental policy of bank examination and supervision should be governed by National credit policy which is the primary responsibility of the Board of Governors, and although, as will be seen from the foregoing, examinations should carry out the objectives of regulations most of which are issued by the Board of Governors, the actual performance of the examination function is distributed among the three Federal agencies. The Federal Reserve Banks, under the direction of the Board of Governors, examine all State member banks; the Comptroller directs the examination of all National banks; and the FDIC directs the examination of all nonmember State insured banks. National banks are examined at least twice a year and pay assessments to cover the cost;

State member banks and nonmember insured banks are not subjected to such requirements by the Board or the FDIC. Although there has been an agreement by the three agencies upon uniform bank examination procedure, that agreement is not carried out uniformly by the three agencies.

The three supervisory agencies, both in Washington and in the field, are largely housed separately in different locations, whereas if they were reorganized joint housing accommodations could easily be provided and the contacts of banks with the agencies greatly simplified.

As a result of the diverse Federal supervisory policies, banks may leave one jurisdiction in preference for another; a National bank may give up its charter in order to become a State nonmember insured bank; a State member bank may withdraw from membership for the same reason; and an insured bank may obtain a National charter or State bank membership in order to gain the advantages that it sees in such action. Such conditions are not conducive to respect for Federal supervisory authority.