

CONSOLIDATION OF FEDERAL AGENCY FUNCTIONS RELATING  
TO BANK SUPERVISION

Plan

Under a plan submitted to President Roosevelt in February 1944 for an Executive Order under the First War Powers Act, 1941, (which could be carried out by a similar Executive Order under the pending bill for reorganization of Governmental agencies) it was contemplated that

(1) All functions of the Comptroller of the Currency and the Bureau of the Comptroller of the Currency (with certain minor exceptions) would be transferred to the Board of Governors of the Federal Reserve System.

(2) All functions of the board of directors of the Federal Deposit Insurance Corporation would be exercised by the Board of Governors of the Federal Reserve System (which would be substituted for the present board of directors without disturbing the corporate entity as such).

(3) The functions of the Secretary of the Treasury with respect to the licensing of the opening or reopening of banks, the purchase by the RFC of preferred stock, capital notes, or debentures from banks, and the supervision of the Bureau of the Comptroller of the Currency or the approval or appointment of personnel of that Bureau would be transferred to and administered by the Board of Governors of the Federal Reserve System. Except for transitional purposes, most and probably all of the powers mentioned in this paragraph, including those of the RFC as well as of the Secretary, should be abolished.

Certain functions of the Comptroller of the Currency would be otherwise disposed of as follows:

(1) The functions of the Comptroller with respect to the examination and supervision of building and loan associations in the District of Columbia would be transferred to the National Housing Agency.

(2) The functions of the Comptroller with respect to the chartering and supervision of national agricultural credit corporations would be transferred to the Farm Credit Administration.

(3) The functions of the Comptroller with respect to the liquidation of National banks for which a Receiver had been appointed would be transferred to the FDIC (the directors of which

would be the Board of Governors of the Federal Reserve System).

(4) The functions of the Comptroller with respect to the printing, engraving, custody and retiring of currency would be transferred to the Secretary of the Treasury.

(5) The functions of the Comptroller under Section 30 of the Banking Act of 1933, with respect to each Federal Reserve District and the National banks located therein, would be transferred to the Federal Reserve Agent of that District.

The executive order would provide that the functions consolidated should be exercised to avoid, in so far as possible, the duplication of similar functions or the performance of similar duties. Similar or corresponding functions of the Board of Governors and the FDIC would be performed through the means of either agency, expenses to be adjusted by reimbursement on the basis of the services performed for the reimbursing agency. To that end personnel of either agency would be transferred from one to the other.

The offices of the Comptroller of the Currency, all Deputy Comptrollers of the Currency, and the existing directors of the FDIC would be vacated, except during such brief period as the Board of Governors might find it necessary to retain them for the purpose of effectuating the consolidations.

All orders, rules, regulations, permits, obligations or privileges made, issued or granted by or in respect of any agency, function, power or duty consolidated would continue in effect to the same extent as if such consolidation had not occurred, until modified, superseded or repealed.

In general, the corporate entity of the FDIC would not be disturbed, but the Board of Governors would perform the functions of the board of directors of the FDIC and (with some exceptions) the functions of the Comptroller. The office and bureau of the Comptroller of the Currency would be abolished.

#### Unified Organization Policy

Examination and other administrative policies 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 as at present. The rigid schedule of at least two examinations each year for National banks should be changed to conform to the policy as to other banks and assessments against National banks for such examinations should be eliminated, as it has not been the practice of either the FDIC or the Federal Reserve to make such assessments against State banks.

State supervisory authority and the dual banking system would not be impaired.

Duplications in staff organization 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.

#### Bank Examination and Supervision

Federal examination, supervision, and regulation of banks should be integrated by one authority. 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. It would be advantageous to use the Federal Reserve for this purpose because of their thorough acquaintance with banking affairs and conditions in their districts. 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 various Federal regulations and as fiscal agents for the Treasury. They maintain close relations with State supervisory authorities in their districts. In this connection, 88 per cent of the deposits in all commercial banks are in member banks of the Federal Reserve System, and some of the Federal Reserve regulations apply to non-member as well as member banks.

Under the procedure of the Comptroller of the Currency and the FDIC, an original review is made in Washington of all examination reports and, in many cases, there are prepared 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 and the preparation of letters of criticism could be handled in the field (as is now done by the Federal Reserve Banks with respect to State member banks) with only such review in Washington as might be desirable to see that the field offices conform to a single national credit and regulatory policy.



The distinctive problems of State banks would continue to be recognized, as they are now in the case of State member banks. Correspondence with State nonmember insured banks and State authorities with respect to nonmember insured banks could continue to be handled in the name of the FDIC.

#### Liquidation of Insolvent National Banks

The liquidation work remaining in the Comptroller's Office would be assumed 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 has almost reached its conclusion.

#### 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 staff relating to nonmember banks, together with all other research and statistical work of the FDIC and that of the Board of Governors, would be combined. Instead of 3 organizations and 3 sets of publications, which often repeat and interpret the same information, there would be only one set.

#### Legal Work

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

#### Personnel Work

Personnel work relating to the combined staffs of the Comptroller's Office, the FDIC and the Board would be under one director.

#### Accounting, Finance, and Other Service Functions

These functions in the Office of the Comptroller of the Currency, the FDIC, and the Board of Governors would be combined.

As will be noted, the foregoing plan is confined to the consolidation of Federal functions which might be effected under an Act

of Congress relating to the reorganization of Federal agencies.