

DECENTRALIZATION OF ADMINISTRATION

Proposal

Twelve Federal Reserve banks and their 24 branches shall be used as the means for carrying out a program of decentralization of the examining and supervisory functions of the Board and the Comptroller. Examination departments of the Federal Reserve banks to be transferred to chief national bank examiners.

Administration of Comptroller's powers regarding chartering, consolidation, reorganization of national banks and examination and supervision of all banks to be administered through chief national bank examiners located at Federal Reserve banks, who shall have access to all information obtained by Reserve banks through their daily contacts with banks. Decisions of chief national bank examiners adverse to banks to be subject to appeal to Comptroller.

Board of Governors shall decentralize administration of its remaining powers affecting individual banks by authorizing Federal Reserve banks or chief bank examiners stationed at Reserve banks to act upon such matters in accordance with general policies, regulations and instructions issued from time to time by the Board and subject to appeal to, or review by, the Board under regulations prescribed by the Board. For this purpose, authorize Board to delegate the performance of specific duties and functions, other than determination of national or System policies and promulgation of regulations, to individual members of the Board, to members of its staff, to chief bank examiners or to Reserve banks.

Discussion

The Federal Reserve banks and their branches are located throughout the various sections of the country so as to best serve the banking institutions in the various trade areas. The Reserve bank and branch directors are selected from business, agricultural, educational and professional leaders of such areas so that they and through them the officers of the banks and branches are in daily contact with the business and agricultural situation. Under the proposed legislation, all commercial banks will carry their reserves with, render condition reports to, and have the facility of borrowing from the Reserve banks. Thus the officers of the Reserve banks and branches will be in constant and close touch with the banking situation throughout the district.

From the above, it is apparent that the Federal Reserve banks and branches offer an almost ideal field organization to aid the examination and supervision of the country's banking system by the national bank examiners under the Comptroller of the Currency. The organization is in all cases adequately housed and five of the twelve chief national bank examiners already have their offices in the Reserve bank building and in the remaining cases could be so located without any difficulty. In spite of these excellent field facilities, the complaint is often made by bankers that too many decisions on pending administrative matters are made in Washington resulting in unnecessary delay and additional expense. Many of these decisions are as a matter of practice made on the recommendation of the Federal Reserve bank or the chief national bank examiner who, in the final analysis, is in a position to know most about the problem at hand. With general supervisory authority retained at Washington, it would promote economy, dispatch, and better relations between the banks and the Federal supervisory agencies if a greater share of the work of the Board and the Comptroller could be done in the field.

Since the monetary functions of the Federal Reserve banks have been largely transferred to the Board of Governors at Washington and to the Federal Open Market Committee which meets in Washington, there has been a growing feeling in the boards of directors of the Federal Reserve banks that their responsibility has been curtailed. A greater volume of work and responsibility at the Federal Reserve banks through decentralization of certain functions now performed by the Board of Governors would create better interest among the Reserve bank directors and would retain the high type of men presently on those boards.

The plan would also relieve the Board of Governors of much administrative routine now requiring action by the Board which in many cases interferes with the consideration of more important questions of national policy.