# BOARD OF GOVERNORS OF THE

# federal reserve system fice Correspondence

<b>公</b> ff	fice Correspondence	Date May 6, 1942
. }	Chairman Eccles	Subject:
From_	Chester Morrill, Secretary	

In order that you may have it at hand for convenient reference, I am sending you a copy of the two page memorandum which has been prepared by Mr. Wingfield, Mr. Leonard and myself for your consideration whenever you wish to discuss it, relating to the streamlining of the three bank supervisory agencies.

The first page contains a brief recommendation, reasons for recommendation, and statement that the Board of Governors is the logical agency. The second page contains a synopsis in short sentences of the plan to be covered by Executive Order. A draft of an Executive Order can be submitted at any time and Mr. Leonard is giving all the time he can to the analysis of such information as is available for use in setting up a detailed plan of reorganization if that point should be reached.



### Recommendation

That the functions of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency be placed by Executive Order under the control of one Governmental agency (with some minor exceptions). Certain related functions of the Secretary of the Treasury and of the Reconstruction Finance Corporation would be absorbed in the reorganization.

# Reasons for Recommendation

- l. More efficient administration of the war program, through reduction of the number of Federal agencies regulating, examining, and requiring reports from banks. There are over 14,400 commercial banks subject to regulations of at least one Federal bank supervisory agency; of these, nearly 13,500 are insured and subject to regulations of at least two such agencies; and 5100 are National banks subject to regulations of three such agencies.
- 2. Federal regulation, examination, insurance, and chartering of banks, especially in time of war and impending inflation, must be integrated with national credit and monetary policy. This should be the function of an agency having responsibility for such policy.
- 3. Conservation of war time expense and man power through reduction of office space, personnel requirements, and administrative needs, both in Washington and in the field, by pooling the staffs of the several agencies. For example, instead of three examination staffs, three research, three legal, and three administrative, only one of each would be necessary. This is particularly necessary in these times when the staffs have lost and are continuing to lose personnel for military service.
- 4. A substantial reduction in bank examinations, thereby releasing man power in the war period. The Comptroller of the Currency is required to examine all National banks at least twice each year. This could be eliminated. A flexible program for all banks could be adopted, without impairing the quality of bank supervision, which would greatly reduce the burden upon both the banks and the Government.
- 5. Discontinuance of assessments against National banks for examination costs, amounting to about \$3,500,000 per annum; removing an existing discrimination between them and other insured banks.
- 6. Lower assessment charges against insured banks for Federal deposit insurance. The reorganization and other features of the plan would make this possible.
- 7. The adoption of the plan would follow sound administrative precedents, which have been established by bringing together under a single administration the Federal agencies in the farm credit field and under one authority the Federal agencies dealing with urban home financing.

### Agency

The Board of Governors of the Federal Reserve System is the logical agency to administer the combined functions, in view of its existing responsibilities in the field of national credit and monetary policy as well as that of bank regulation and supervision. A synopsis of the plan is attached.

## Synopsis of Plan to be Covered by Executive Order

- 1. The Board of Governors of the Federal Reserve System to become the board of directors of the Federal Deposit Insurance Corporation.
- 2. The functions of the Comptroller of the Currency and the powers of the Secretary of the Treasury relating thereto (with the exceptions stated below) to be transferred to the Board of Governors.
- 3. The currency functions of the Comptroller to be transferred to the Secretary of the Treasury.
- 4. The functions of the Comptroller relating to building and loan associations to be transferred to the National Housing Agency.
- 5. The functions of the Secretary of the Treasury relating to the licensing of banks and certain functions of the General Counsel of the Treasury relating to litigation involving national banks to be transferred to the Board of Governors.
- 6. The functions of the Reconstruction Finance Corporation relating to future extensions of capital aid to banks to be transferred to the Federal Deposit Insurance Corporation; the functions of the Secretary of the Treasury in this connection to be transferred to the Board of Governors.
- 7. The Federal Deposit Insurance Corporation to have the functions of insuring, extending capital aid to, and liquidating insured banks. Its other functions to be transferred to the Board of Governors.
- 8. Regulatory, supervising, examining, and chartering functions to be consolidated under the Board of Governors.
- 9. The Board of Governors and the Federal Deposit Insurance Corporation to decentralize the exercise of all their functions to the fullest possible extent.
- 10. Appropriate provisions covering the transfer of necessary personnel and funds to be included in the Executive Order.