

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date April 15, 1946.

To Chairman Eccles

Subject: _____

From Mr. Morrill

Following your talk with me recently in your office regarding reorganization proposals, Mr. Vest, Mr. Hackley and I have worked upon outlines which are set forth in the attached preliminary and confidential memorandum of three alternative proposals.

When we talked about this, you said that you would want to call in Mr. Vardaman to go over these proposals with the staff members who have been working on them. However, I have not sent a copy to Mr. Vardaman and will await your instructions before doing so.

Attachment

cc: Mr. Vest

PRELIMINARY AND CONFIDENTIAL

PROPOSALS FOR REORGANIZATION OF FEDERAL BANKING AGENCIES

There are outlined below three alternative proposals for reorganization of the Federal banking agencies pursuant to the Reorganization Act of 1945, the proposals being identified as Proposals A, B, and C:

PROPOSAL A (One Plan)

NOT AFFECTING FDIC--RETAINING COMPTROLLER OF CURRENCY--AND
TRANSFERRING CERTAIN FUNCTIONS OF COMPTROLLER TO BOARD OF GOVERNORS

1. Comptroller as FDIC director. - The function of the Comptroller of the Currency as a member of the board of directors of FDIC and of the Acting Comptroller of the Currency as a member of that board in the absence of the Comptroller would not be affected by this Plan.
2. Comptroller as member of Board. - The Comptroller of the Currency would be designated as a member ex officio of the Board of Governors, but with a provision that this function should not devolve upon the Deputy Comptroller during the absence or inability of the Comptroller. The presently vacant office of the member of the Board of Governors, the term of which would expire on January 31, 1952, would be abolished, so that the Board would continue to consist of seven members.
3. Deputy Comptrollers. - The Office of the Assistant Deputy Comptroller of the Currency and the Office of the Third Deputy Comptroller of the Currency would be abolished, thus leaving only one Deputy Comptroller of the Currency.
4. Transfer of Bureau of Comptroller of Currency. - The Bureau of the Comptroller of the Currency in the Department of the Treasury would be transferred to the Board of Governors of the Federal Reserve System and would thereafter be known as the Office of the Comptroller of the Currency.
5. Functions under supervision of Board. - Certain functions of the Comptroller of the Currency would continue to be exercised by the Comptroller, but under the direction and supervision of the Board of Governors, except as indicated in paragraphs 1, 6, 7 and 8 hereof.

6. Functions transferred to Board. - All functions of the Comptroller with respect to national banks which are similar to functions exercised by the Board with respect to State member banks would be transferred directly to the Board of Governors and would thereafter be exercised by the Board. This would include such functions as the approval of branches and regulation of securities investments.

7. Examinations. - All functions of the Comptroller with respect to the examination of national banks and the assessment of expenses of examination against national banks and their affiliates and against banking institutions in the District of Columbia would be abolished.

This would eliminate existing duplication of authority with respect to examinations of national banks, since the Board of Governors has authority to examine such banks under existing law. It would eliminate also the necessity for making two examinations a year of each national bank and the mandatory assessment of expenses for such examinations, thus leaving it discretionary with the Board as to when examinations need to be made and as to whether the expenses thereof should be assessed against the banks.

Under this provision, however, the Comptroller's authority to examine affiliates of national banks and to examine banking institutions in the District of Columbia would not be abolished, but would be transferred to the Board of Governors by virtue of paragraph 6 above.

8. Transfer of other functions. - Certain functions of the Comptroller would be transferred to other agencies as follows: (a) those with respect to the supervision of building and loan associations in the District of Columbia would be transferred to the National Housing Agency; (b) those relating to the supervision of national agricultural credit corporations would be transferred to the Farm Credit Administration; (c) those relating to the liquidation of national banks and banks in the District of Columbia, when placed in voluntary liquidation or when receivers have been appointed, would be transferred to the FDIC; (d) those relating to the issuance, redemption, and regulation of national bank notes and the printing, engraving, and retiring of Federal Reserve notes would be transferred to the Secretary of the Treasury; and (e) those relating to the removal of directors and officers of national banks under section 30 of the Banking Act of 1933, with respect to each Federal Reserve district, would be transferred to the Federal Reserve Agent in each such district.

9. Function of Secretary of Treasury. - There would be transferred to the Board of Governors all functions of the Secretary of the Treasury with respect to: (a) the supervision of the Office of

the Comptroller of the Currency; (b) personnel of that Office; (c) the transaction of a banking business by member banks and the licensing of such banks; and (d) the purchase by the RFC from banks of preferred stock, capital notes, and debentures, and loans by RFC on such stock and debentures.

10. Personnel. - Except as transferred by the Plan to other agencies, all personnel, books, records and property of the Comptroller of the Currency would be transferred to the Board. The compensation of such personnel and the salary of the Comptroller as fixed by law would be paid out of funds of the Board; and all such personnel would be entitled to the same privileges, including retirement privileges, as are accorded to other employees of the Board in like circumstances.

11. Funds. - All unexpended moneys appropriated for the Comptroller of the Currency, not otherwise transferred by the Plan, would be transferred to the general fund of the Treasury; and all moneys derived by the Comptroller from assessments on national banks and their affiliates would be administered by the Comptroller under the supervision of the Board.

12. Objectives. - The Plan would state that its purpose is the establishment at one point of responsibility for supervising all banks which are members of the Federal Reserve System and that the Board of Governors is the agency utilized to accomplish this objective.

13. Effective date. - The Plan would become effective on the first day of the sixth calendar month following its transmission to Congress.

PRELIMINARY AND CONFIDENTIAL

PROPOSAL B (Two Plans)

PARTIAL REORGANIZATION--PLACING CHAIRMAN OF BOARD
OF GOVERNORS ON FDIC--AND ABOLISHING COMPTROLLER OF CURRENCY

To accomplish this proposal two separate reorganization plans must be submitted. Plan No. 1 would affect the FDIC and would contain nothing which would not affect the FDIC. Plan No. 2, involving the Comptroller of the Currency and the Board of Governors, would be dependent upon Plan No. 1 first becoming effective and thereupon Plan No. 2 would be effective only when Plan No. 1 would have gone into effect.

Plan No. 1

1. Chairman and Vice Chairman of Board as directors of FDIC. - The FDIC would continue as a separate ^{separate} agency of the Government. The function of the Comptroller of the Currency as a member of the board of directors of FDIC and his function as chairman of such board in the event of a vacancy in the office of the chairman would be transferred to the Chairman of the Board of Governors of the Federal Reserve System. The function of the Acting Comptroller of the Currency as a member of the board of directors of FDIC in the event of a vacancy in the Office of the Comptroller or during the absence of the Comptroller would be transferred to the Vice Chairman of the Board of Governors of the Federal Reserve System.

2. Functions transferred to Board. - All functions of the FDIC or of its board of directors relating to insured banks with respect to (a) establishment of branches, (b) consolidation with non-insured banks, and (c) payment of interest on deposits, would be transferred to the Board of Governors of the Federal Reserve System.

3. Personnel. - All personnel of FDIC engaged in duties principally related to the functions transferred to the Board of Governors under paragraph 2 above would be transferred to the Board of Governors.

4. Effective date. - The Plan would become effective on the first day of the sixth calendar month following the month in which the Plan is transmitted to Congress.

Plan No. 2

1. Abolition of Comptroller. - The Bureau of the Comptroller of the Currency in the Department of the Treasury, the Office of the

Comptroller of the Currency, and the offices of the Deputy Comptroller of the Currency, Assistant Deputy Comptroller of the Currency and Third Deputy Comptroller of the Currency would be abolished. Under the previously effective Plan No. 1, the functions of the Comptroller and the Deputy Comptroller as member and alternate member of the board of directors of FDIC would have been transferred to the Chairman and Vice Chairman of the Board of Governors; and consequently Plan No. 2, by abolishing the offices of Comptroller of the Currency and Deputy Comptroller, would not "affect" the FDIC.

2. Functions transferred to Board. - All functions of the Comptroller of the Currency, other than those specified in paragraphs 3 and 4 below, would be transferred to the Board of Governors of the Federal Reserve System.

3. Transfer of other functions. - The following functions of the Comptroller of the Currency, with their related personnel, would be transferred to other agencies as follows: (a) Those with respect to the supervision of building and loan associations in the District of Columbia would be transferred to the National Housing Agency; (b) those with respect to the supervision of national agricultural credit corporations would be transferred to the Farm Credit Administration; (c) those with respect to the liquidation of national banks and District of Columbia banks, when placed in voluntary liquidation or when receivers have been appointed, would be transferred to the FDIC; (d) those relating to the issuance, redemption and regulation of national bank notes and the printing, engraving, and retiring of Federal Reserve notes would be transferred to the Secretary of the Treasury; and (e) those relating to the removal of officers and directors of national banks under section 30 of the Banking Act of 1933, with respect to each Federal Reserve District, would be transferred to the Federal Reserve Agent in such district.

4. Examinations. - The functions of the Comptroller of the Currency with respect to (a) the examination of national banks, (b) the assessment of expenses against national banks and their affiliates for such examinations, and (c) the assessment of expenses of examinations against banking institutions in the District of Columbia, would be abolished. The Comptroller's authority to examine affiliates of national banks and to examine banking institutions in the District of Columbia would not be abolished but would be transferred to the Board of Governors by virtue of paragraph 2 above.

5. Personnel. - Except as transferred by the Plan to other agencies, all personnel, books, records and property of the Comptroller of the Currency would be transferred to the Board. The compensation of such personnel would be paid out of funds of the Board; and all such personnel would be entitled to the same privileges, including retirement privileges, as are accorded to other employees of the Board in like circumstances.

6. Functions of Secretary of Treasury. - All functions of the Secretary of the Treasury with respect to the supervision of the Office of the Comptroller of the Currency and with respect to the personnel of that Office would be abolished. Functions of the Secretary of the Treasury with respect to (a) the transaction of banking business by member banks and the licensing of such banks and (b) the purchase by RFC from banks of preferred stock, capital notes and debentures, and loans by RFC on such stock or debentures would be transferred to the Board of Governors.

7. Effective date. - This Plan would become effective immediately after, and only in the event that, Plan No. 1 under this Proposal B shall have gone into effect.

PRELIMINARY AND CONFIDENTIAL

PROPOSAL C (Two Plans)

COMPLETE REORGANIZATION--SUBSTITUTING BOARD OF GOVERNORS FOR
BOARD OF DIRECTORS OF FDIC--AND ABOLISHING COMPTROLLER OF CURRENCY

This proposal, like Proposal B, would require two separate reorganization plans. All of the provisions of Plan No. 1 would affect the FDIC; none of the provisions of Plan No. 2 would affect the FDIC. Plan No. 2 would depend upon Plan No. 1 coming into effect first and would be effective immediately after and only in the event that Plan No. 1 becomes effective.

Plan No. 1

1. Transfer of functions of FDIC board of directors. - The FDIC would be continued as a separate corporate agency of the Government. However, the functions of the board of directors of FDIC would be transferred to the Board of Governors of the Federal Reserve System and such functions thereafter would be administered by the Board of Governors as the board of directors of FDIC. The members of the Board of Governors would not, of course, receive any additional compensation.

2. Functions transferred to Board. - All functions of FDIC relating to insured banks with respect to (a) approval of branches, (b) consolidations with noninsured banks, and (c) payment of interest on deposits, would be transferred to the Board of Governors of the Federal Reserve System. Such functions would not be exercised by the Board of Governors merely in its capacity as the board of directors of FDIC (as would be the case with respect to other functions of FDIC), but would thereafter be exercised by the Board of Governors in its own name.

3. Personnel. - All personnel of FDIC engaged in duties principally related to the functions transferred to the Board of Governors under paragraphs 1 and 2 above would be transferred to the Board of Governors, except that the present directors of FDIC would be excluded from such transfer and their offices would be vacated. The Board of Governors would be authorized to utilize personnel of either agency for the performance of functions of either agency, with an apportionment of expenses between the two agencies on an equitable basis.

4. Effective date. - This Plan would become effective on the first day of the sixth calendar month following its transmission to Congress by the President.

Plan No. 2

1. Abolition of Comptroller. - The Bureau of the Comptroller of the Currency in the Department of the Treasury, the Office of the Comptroller of the Currency, and the offices of the Deputy Comptroller of the Currency, Assistant Deputy Comptroller of the Currency and

Third Deputy Comptroller of the Currency would be abolished. Under the previously effective Plan No. 1, the functions of the board of directors of FDIC would have been transferred to the Board of Governors and the existing directorships would have been vacated, so that the abolition of the Office of the Comptroller of the Currency would not "affect" the FDIC.

2. Functions transferred to Board. - All functions of the Comptroller of the Currency, other than those specified in paragraphs 3 and 4 below, would be transferred to the Board of Governors of the Federal Reserve System.

3. Transfer of other functions. - The following functions of the Comptroller of the Currency, with their related personnel, would be transferred to other agencies as follows: (a) Those with respect to the supervision of building and loan associations in the District of Columbia would be transferred to the National Housing Agency; (b) those with respect to the supervision of national agricultural credit corporations would be transferred to the Farm Credit Administration; (c) those with respect to the liquidation of national banks and District of Columbia banks, when placed in voluntary liquidation or when receivers have been appointed, would be transferred to the FDIC; (d) those relating to the issuance, redemption and regulation of national bank notes and the printing, engraving, and retiring of Federal Reserve notes would be transferred to the Secretary of the Treasury; and (e) those relating to the removal of officers and directors of national banks under section 30 of the Banking Act of 1933, with respect to each Federal Reserve District, would be transferred to the Federal Reserve Agent in such district.

4. Examinations. - The functions of the Comptroller of the Currency with respect to (a) the examination of national banks, (b) the assessment of expenses against national banks and their affiliates for such examinations, and (c) the assessment of expenses of examinations against banking institutions in the District of Columbia, would be abolished. The Comptroller's authority to examine affiliates of national banks and to examine banking institutions in the District of Columbia would not be abolished but would be transferred to the Board of Governors by virtue of paragraph 2 above.

5. Personnel. - Except as transferred by the Plan to other agencies, all personnel, books, records and property of the Comptroller of the Currency would be transferred to the Board. The compensation of such personnel would be paid out of funds of the Board; and all such personnel would be entitled to the same privileges, including retirement privileges, as are accorded to other employees of the Board in like circumstances.

6. Functions of Secretary of Treasury. - All functions of the Secretary of the Treasury with respect to the supervision of the Office of the Comptroller of the Currency and with respect to the personnel of that Office would be abolished. Functions of the Secretary of the Treasury with respect to (a) the transaction of banking business by member banks and the licensing of such banks and (b) the purchase by RFC from banks of preferred stock, capital notes and debentures, and loans by RFC on such stock or debentures would be transferred to the Board of Governors.

7. Objectives. - The Plan would state that its purpose, along with Plan No. 1, is to establish at one point the responsibility for supervision of banks by the Federal Government and thereby to effect economies in administration and to avoid duplication of effort; that the Board of Governors is the agency utilized to accomplish this objective; and that the functions transferred or consolidated by the Plan shall be exercised to avoid, in so far as possible, the duplication of similar functions or the performance of similar duties.

8. Effective date. - This Plan would become effective immediately after, and only in the event that, Plan No. 1 under this Proposal B shall have gone into effect.

4/15/46