12/16/42

RECOMMENDATION

That, by Executive Order under the First War Powers Act, the offices of the Comptroller of the Currency and the Deputy Comptrollers of the Currency be vacated and that the functions and personnel of those offices, with the exceptions hereinafter stated, be transferred to the Board of Governors of the Federal Reserve System.

REASONS FOR RECOMMENDATION

1. Conservation of wartime expense and manpower through the reduction of office space, personnel requirements, and administrative needs, both in Washington and in the field, by pooling the staffs of the two agencies. For example, instead of two examinations staffs, two research, two legal, and two administrative, only one of each would be necessary. This is particularly necessary when both agencies have lost and are continuing to lose personnel to the armed services, to defense industry and other civilian enterprises. Furthermore, the reduction in personnel would release manpower at a time when, because of the demand in all quarters, it would work no hardship on those transferred.

2. More efficient administration of the war program, through the reduction of the number of Federal agencies regulating, examining, and requiring reports from banks. After the enactment of the Federal Reserve Act, State and National banks were merged into one system; Federal Reserve currency supplanted National bank notes; and, logically, supervision of member banks should have been merged in one agency. This plan would result in the Federal Reserve System supervising all member banks. With its 12 banks and 24 branches in strategic cities and with its trained personnel in daily contact with the banks, it is particularly well equipped to perform this task. Furthermore, its responsibilities are concentrated in a narrow area and its administration would not be impeded by wide and diverse responsibilities in other fields.

3. Federal regulation, examination, 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, and execution of the plan would bring banks representing 85 per cent of the banking resources of the country under such regulation and examination. 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. It would permit a high degree of decentralization and the adoption of a flexible program for all member banks without impairing the quality of bank supervision.

4. The plan would facilitate and expedite the performance by the banking system of its role in the rationing program.

SYNOPSIS OF PLAN TO BE COVERED BY ORDER

1. Abate the offices of the Comptroller of the Currency and the Deputy Comptrollers of the Currency and, with the exceptions hereinafter stated, transfer the functions of such offices and the powers of the Secretary of Treasury relating thereto to the Board of Governors of the Federal Reserve System.

2. Transfer the functions of the office of the Comptroller of the Currency in the liquidation of National banks after the appointment of receivers or conservators to the Federal Deposit Insurance Corporation. These latter functions would be combined with the existing receivership functions in the Federal Deposit Insurance Corporation.

3. (a) Terminate the authority of the Secretary of the Treasury to license member banks or (b) transfer such authority to the Board of Governors; and (c) transfer to the Board of Governors of the Federal Reserve System the authority of the Secretary of the Treasury to request, and the functions of the President to approve purchases from member banks of preferred stock or capital debentures by the Reconstruction Finance Corporation.

4. Transfer the currency functions of the Comptroller of the Currency to the appropriate bureau of the Treasury.

5. Transfer the functions of the Comptroller of the Currency relating to the supervision of credit unions in the District of Columbia to the Federal Deposit Insurance Corporation. Supervision of other Federal credit unions was recently transferred by Executive Order from the Farm Credit Administration to the Federal Deposit Insurance Corporation.

6. Transfer the functions of the Comptroller of the Currency relating to the supervision of building and loan associations in the District of Columbia to the appropriate authority in the Home Loan Bank System.

7. Make appropriate provisions in the Order covering the transfer of necessary personnel and funds so that the personnel and any funds relating specifically to a particular function of the office will be transferred to the agency to which the function is transferred.

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