

Statement  
of  
Chairman K. A. Randall  
Federal Deposit Insurance Corporation

before the  
Subcommittee on Bank Supervision and Insurance  
of the House Committee on Banking and Currency  
on March 3, 1966

Mr. Chairman, I am here today at your request to express my views on H. R. 12904, a bill to provide that the Board of Directors of the Federal Deposit Insurance Corporation shall consist of three appointed members, and for other purposes.

This bill would change the present management structure of the Corporation by removing from the Board, as an ex officio member, the Comptroller of the Currency. Also it would require the President, in selecting each of the three members of the Board, to have due regard for a fair representation of the various segments of the banking interests of the country. Provision would be made for staggering directors' terms, with one appointment terminating every two years. This in effect provides for terms of six years after initial adjustments. The bill provides that no member of the Board may hold any other civil office of the United States.

H. R. 12904 would permit the President to designate every two years one member of the Board of Directors to serve as Chairman. In the event that any member designated as Chairman ceased to serve as a member of the Board prior to the end of his term as Chairman, provision is made for the senior member of the Board to act as Chairman pending the designation by the President of his successor.

Also, the bill provides that the Comptroller of the Currency will continue to serve on the Board until all three members have been appointed or until the expiration of six months after the date of enactment of the Act, whichever occurs first. Any appointed member of the Board of Directors holding office at the time of enactment of the bill will serve until the expiration of the term for which he was appointed, and the Chairman at the time of enactment will continue as Chairman at the pleasure of the President.

Whether it is appropriate for the Comptroller of the Currency to serve as an ex officio member of the Board of Directors has been an issue since the original enactment of deposit insurance legislation in 1933. In 1963, Mr. Leo T. Crowley, who was Chairman of the Corporation during the formative years from 1934-1945, made this statement:

"From the beginning of the discussions to the last few days of drafting of the Federal deposit insurance law, Congressman Steagall held that the administration of the Corporation should be by a nonpartisan three-man working Board of Directors. In his view this was essential to insure full confidence that strict impartiality would be observed, that the dual system would be promoted and that the supervisory system would be adequate. While agreeing in general, Senator McAdoo was insistent that the Treasury have a representative on the Board of Directors because of its purchase of \$150 million of capital stock. It was with great reluctance that Congressman Steagall yielded to Senator McAdoo's request and the Comptroller of the Currency became a member of the Board ex officio. The original justification for this participation ceased when the capital stock was retired for cash in 1947 and 1948." (109 Cong. Rec. 11063 (1963)).

The diversity of views with respect to the composition of the Board of Directors and the final compromise that was included in the conference report, as adopted by the Congress in 1933, was summed up by Congressman Steagall, then Chairman of the House Banking and Currency Committee:

"The board to administer the insurance fund will consist of 3 members, 1 of whom will be the Comptroller of the Currency, and 2 members appointed by the President and confirmed by the Senate. It will be remembered that the Senate bill provided for a board of 5 members, to be made up of the Comptroller of the Currency, 1 member of the Federal Reserve Board, and 3 members selected by the Federal Reserve banks. The original House bill provided for a board of 5, 1 of whom should be a member of the Federal Reserve Board, another the Comptroller of the Currency, and 3 members to be appointed by the President and confirmed by the Senate. The House amended the bill so as to require a fourth member to be appointed by the President instead of a member to be selected from the Federal Reserve Board. There were those of us who did not think it wise to leave too much of the control of the insurance corporation under management connected with the Federal Reserve banks, and the conference report offers a better provision than either the original Senate bill or the original House bill in that respect." (77 Cong. Rec. 5893 (1933)).

Two recent Chairmen of the Board of Directors of the Corporation, the Honorable Jesse P. Wolcott and the Honorable Erle Cocke, Sr., in their comments to this Committee on bills similar to the one now under consideration expressed the view that the Comptroller of the Currency should be continued as an ex officio member of the Board of Directors.

Quite the opposite view was voiced by former Chairman Leo T. Crowley in his testimony on legislation to amend the Federal Deposit Insurance Act before the Senate Subcommittee on Banking and Currency on January 30, 1950. Then he said:

"As a matter of fact, the Comptroller of the Currency does not belong on the Federal Deposit Insurance Corporation Board, at all. That was only a compromise, and it was always expected that later it would be corrected.

"The FDIC should have 3 appointed members. There is no more reason why the Comptroller of the Currency should be on the FDIC Board than a member of the Federal Reserve should be on the FDIC Board or a member of the FDIC on the Federal Reserve Board. The FDIC should have an independent board of directors." (Senate Hearings, Report and Law, pp. 145-146.)

Thus there is a basic difference in views concerning the inclusion of the Comptroller of the Currency as a member of the Board of Directors of the Federal Deposit Insurance Corporation. My own experience first as Director and later as Chairman has caused me to favor the Crowley view. This conclusion is supported by two reasons sufficient to convince me that the Board of Directors of the Corporation should consist of three full-time members. In the first place, our work load is heavy enough now to require the time and attention of three Board members so as to fulfill our obligations to the depositors and the entire banking system. Secondly, I think that the demands on the Comptroller of the Currency to carry out the responsibilities of his office are now so heavy that it greatly limits the amount of assistance he can furnish this Corporation.

The provision that would require the President in selecting members of the Board to "have due regard to a fair representation of the various segments of the banking interests of the country" is, in my opinion, a departure from the concept of Federal deposit insurance as I understand it. I believe the President should be free to appoint three full-time members of the Board of Directors who will best serve the interests of the nation, the depositors in the insured banks, and the banking system.

The Corporation was not established to represent various segments of the banking community. Fundamentally the Corporation has important responsibilities with respect to all insured banks whether they are state or national. Its role goes beyond insurance payments to depositors and beyond its supervisory functions with respect to 7,500 state-chartered banks which are not members of the Federal Reserve System. The Corporation protects the medium of payment from disruption caused by bank failures and along with the other State and Federal banking agencies it helps to promote confidence in the soundness of banking throughout the United States.

Chairman Patman in the course of the debates on the original deposit insurance legislation in the House of Representatives said:

"It occurs to me that this board should be a fair board, one that would administer the law fairly and impartially. It should not be composed of representatives of the State banks, neither should it be composed of representatives of the Federal Reserve banks. It should be composed of citizens of the United States who are not directly interested in either State or National banks."  
(77 Cong. Rec. 4029 (1933)).

Accordingly, I think that the President should be free to appoint as members of the Board of Directors qualified persons who he believes can perform these functions in the best interests of the public. The interests of the various segments of the banking community -- the national banks, the state banks which are members of the Federal Reserve System, other state banks, and mutual savings banks -- are fundamentally harmonious with respect to the responsibilities of the Corporation in providing a safe and sound banking system as a protection for all depositors. All insured banks have a common interest in good supervision as well as the maintenance of a deposit insurance fund which can be utilized to correct difficulties in any bank and without regard to its membership in a class or its geographical location.

In 1963 the President's Committee on Financial Institutions recommended the coordination of the activities of the Federal banking agencies. This recommendation has been carried out at the President's direction by the creation of the Coordinating Committee on Financial Institutions consisting of the Comptroller of the Currency, the Chairman of the Board of Governors of the Federal Reserve System, the Chairman of the Federal Deposit Insurance Corporation, the Chairman of the Federal Home Loan Bank Board, and a representative of the Secretary of the Treasury. By this action the necessary coordination is achieved.

We have been advised by the Bureau of the Budget that there is no objection from the standpoint of the Administration's program to the presentation of this statement.

Mr. Chairman, I want to thank you for this opportunity to express my views on this legislation.