

Statement of  
Chairman K. A. Randall  
Federal Deposit Insurance Corporation  
before the  
Subcommittee on Financial Institutions  
of the  
Senate Committee on Banking and Currency  
April 1, 1968

Mr. Chairman, I am pleased to have the opportunity to submit to the Subcommittee the views of the Federal Deposit Insurance Corporation with respect to S. 3001, 90th Congress, a bill "To provide security measures for banks and other financial institutions".

The bill would direct the Federal supervisory agencies of financial institutions -- the Comptroller of the Currency with respect to national banks and banks in the District of Columbia, the Board of Governors of the Federal Reserve System with respect to Federal Reserve Banks and State member banks, the Federal Deposit Insurance Corporation with respect to insured State nonmember banks, and the Federal Home Loan Bank Board with respect to Federal savings and loan associations and institutions insured by the Federal Savings and Loan Insurance Corporation -- to promulgate, within six months of the effective date of the proposed "Bank Protection Act of 1968", rules establishing minimum standards with which banks and savings and loan associations subject to supervision by them must comply "with respect to the installation, maintenance, and operation of security devices and procedures to discourage robberies, burglaries, and larcenies and to assist in the identification and apprehension

of persons who commit such acts". The bill would require the supervisory agencies to include within the rules promulgated (1) time limits within which banks and savings and loan associations would be required to comply with such standards and (2) a requirement for the submission by banks and savings and loan associations of periodic reports with respect to the installation, maintenance, and operation of security devices and procedures. Violators of rules promulgated pursuant to the proposed Act would be subject to a civil penalty, not to exceed \$100 for each day of the violation.

The primary responsibility for properly conducting a bank's affairs, for safeguarding its assets, and for providing adequate security arrangements and controls against external crimes rests with bank management. Accordingly, the Corporation for several years has continuously emphasized to bank management, through the examination and supervision processes, its responsibility for the installation and operation of adequate security arrangements and controls against external crimes.

In order to focus increased attention upon the important area of external crimes, the Corporation, the Board of Governors of the Federal Reserve System, and the Office of the Comptroller of the Currency currently are using a questionnaire relating to bank security and controls against external crimes that is designed to assist the agencies in determining, in a meaningful way, the adequacy of bank policies and procedures for

protection against external crimes. The questionnaire serves as a major aid in making bank management more security-conscious and provides useful guidelines to management.

On January 30, 1968, the Corporation transmitted to each insured State nonmember bank a copy of a pamphlet entitled "Criminal Assaults on Banks" which was prepared in cooperation with the other Federal banking agencies and the Federal Bureau of Investigation. The pamphlet discusses the growing danger from bank robberies, burglaries, and related crimes and stresses the need for adequate programs of bank security and protective measures. It describes several devices and techniques which have proved effective in protecting and safeguarding bank customers, personnel, and facilities and which also have assisted the Federal Bureau of Investigation and other law enforcement agencies in identifying and apprehending offenders involved in robberies and burglaries. The pamphlet can be used by banks as a basis for reviewing the protection being afforded their own customers, personnel, and facilities.

In addition, the Corporation's Manual of Examination Policies -- the Corporation's basic policy statement with respect to bank examinations -- emphasizes the Corporation's concern with respect to crimes against banks, both internal and external. The Manual contains the following passage:

"The primary responsibility for physical security arrangements and a crime preventive program rests with management. Supervisory authorities are also seriously concerned with these important matters. Examiners have

the responsibility of reviewing and evaluating physical security arrangements and the crime preventive program at each examination. Consideration must be given to the physical facilities, protective devices, and security practices of the bank under examination. If security arrangements are regarded as inadequate or preventive practices are considered deficient, management should be encouraged to adopt corrective measures and to provide adequate security protection . . . ."

Since 1964, the subject of external crimes against banks also has been included in the curricula of the bank examination schools jointly conducted by the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System.

The Corporation continues to utilize every opportunity to impress upon bank directors their collective and individual responsibilities for adequate security protection for their institutions. The importance of adequate security has been stressed by representatives of the Corporation in public addresses to banking groups and discussed at Corporation meetings with State bank supervisors.

Although the efforts of the Corporation and of the other Federal banking agencies in this critical area have met with some degree of success, a steady increase in the number of external crimes committed against financial institutions indicates that possibly even more affirmative actions need to be taken to encourage banks and savings and loan associations to take appropriate steps to protect themselves against robberies, burglaries, and larcenies. In our opinion, the enactment of legislation such as that

embodied in S. 3001 would make a practicable contribution to our common objective of reducing and preventing crimes against financial institutions. The Corporation therefore favors the enactment of the bill.

We wish to point out to the Subcommittee, however, that the promulgation of such rules as are contemplated by the bill, even though prescribing only minimum standards, will be difficult because the regulations will have to make proper allowance for such diverse factors as location, existing bank facilities, size, and condition of particular institutions and yet be applicable, equitably and realistically, to all banks and savings and loan associations. Moreover, the Corporation is a bank supervisory and insuring agency. Our concern with crime in banking is part of our general concern with the continued viability of banks insured by the Corporation.

There are few precedents or standards to guide the regulatory agencies in drawing up regulations to implement the proposed legislation. Consequently, a considerable period of time may be necessary before a workable and effective set of regulations is ready. It might therefore be desirable for the Congress to allow a somewhat longer time period for the supervisory authorities to issue the rules.

It is our hope that the problems involved in the promulgation of rules to implement the provisions of the bill are not insurmountable. We wish to assure members of the Subcommittee of our willingness to

develop a uniform approach to the problem of external crimes against financial institutions and to solicit the most expert advice available with respect to the subject, by working with the other Federal supervisory agencies and the Department of Justice.

The Bureau of the Budget has advised that it has no objection to the submission of this statement to the Subcommittee and that enactment of S. 3001 is in accord with the President's program.