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PR-95-75 (11-17-75)

CENTRALIZATION WHICH PRESERVES A REGULATORY CHOICE:
An Intermediate Proposal for Bank Regulatory Reform

Address by

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November 17, 1975

Before the
Fall Meeting
of the
Association of Registered Bank Holding Companies

The Breakers
Palm Beach, Florida

The Banking Committees of the Congress seem poised to begin their first serious review in almost twenty years of the way in which deposit institutions are regulated in this country. The Senate Committee will hold hearings this week on S. 2298, a proposal Senator Proxmire introduced earlier this fall to consolidate in a new agency the regulatory powers presently vested in the three existing Federal bank regulatory agencies, while the leadership of the House Committee has indicated its intention of holding hearings next month on a wide range of basic issues, one of which is to consolidate not merely the three existing bank agencies at the Federal level but also the Federal Home Loan Bank Board and the National Credit Union Administration. The second proposal is a logical extension of the first, when viewed in the light of the Administration's proposed Financial Institutions Act. The Administration's proposals, as you know, seek to place thrift institutions generally on a basis of substantial competitive equality with commercial banks; the House proposal would place in one agency all of the Federal Government's supervisory powers over federally insured thrift institutions as well as federally insured commercial banks.

There have been so many proposals over the years to restructure the Federal bank agencies, and so little Congressional response, that we may all be tempted to react to these most recent proposals with boredom or indifference, born of a conviction that Congress will again be unable to reach a majority view in both Houses on this complex and controversial subject. In my view, this would be an irreversible blunder for both deposit institutions and the agencies which regulate their activities. Whatever our views on these particular proposals, we should recognize that they reflect a growing frustration on the part of those Members of Congress closest to the bank regulatory scene, and their staff assistants, with what they see and that they also represent the end-point of piecemeal efforts to centralize the bank regulatory process which have in fact obtained majority votes in both Houses of the Congress in recent years. Let me be more specific.

For almost six years, I have been the spokesman before Congressional Committees for one of the three Federal bank agencies and I testified on occasion before 1970 as the spokesman for the largest state banking department in the country and for the Conference of State Bank Supervisors. The subject matter of these hearings has covered a wide spectrum of banking subjects, from proposed changes in Federal law to examination procedures, to the causes and consequences of bank failures, to the interagency administration of Regulation Q, to a potential New York City devault. I have come away from these encounters with several distinct impressions as to Congressional attitude. First, Committee members understand but nevertheless find it aggravating not to be able to get from one official source all the information they may be seeking as to some facet of the American banking system. Only after the submissions of three separate Federal agencies are analyzed for similarities and differences, comparable information is aggregated and allowance is made for state-by-state variations which may be relevant does a rough approximation emerge. Second, Congressional efforts to pinpoint official responsibility when things go wrong are often exceedingly difficult. The proclivity of government agencies to shift the blame for errors in judgment, unsound policies or clear negligence is greatly encouraged by the existence of three bank agencies at the Federal level and more than fifty at the state or territorial level, each with different assignments, capabilities, jurisdiction and legal powers. This in turn feeds the prevailing dissatisfaction in Congress with Congress's own ability and capacity to oversee the performance of Executive Branch agencies or the performance of regulated industries and fuels the Congressional search for more effective procedures and controls -- reflected in this case by the belief that oversight and accountability will be far easier with one centralized bank regulatory agency. Third, while there is lip-service paid to the dual banking system, few Congressmen and hardly any Committee staffers believe that state regulation is or can be as effective or as professional as regulation at the Federal level. Even fewer understand that having a choice of regulators is the best built-in protection the public and the banking system have against a hardening of the bureaucratic arteries at <u>both</u> Federal and state levels. Instead, there is a preoccupation on Capitol Hill with uniformity in regulation, even as to matters where neither the <u>need</u> for uniformity nor its <u>desirability</u> has been demonstrated. Each of these factors, I am certain, has influenced the support which regulatory consolidation is receiving among many Banking Committee members and their staffs.

Moreover, we have seen in recent years, as I indicated, a sizeable number of Federal laws which have had the effect of centralizing significant aspects of the bank regulatory process. In this regard, I would point out that nearly all recent legislation involving new regulatory authority over banks designates a single agency to write the substantive regulations necessary to implement that authority, while at the same time requiring that all three existing Federal bank agencies enforce such regulations with respect to banks which they examine. Thus, the Truth-in-Lending Act placed in the Federal Reserve Board sole authority to write the regulations necessary to carry out its provisions, even though the Comptroller of the Currency enforces such regulations as to national banks and the FDIC enforces such regulations as to State nonmember insured banks. The Fair Credit Billing Act and the Equal Credit Opportunity Act, both enacted in 1974, followed this same pattern, as did those portions of the Federal Trade Commission Improvements Act approved earlier this year which deal with "unfair trade practices" by banks. To write the regulations necessary under the 1970 Currency and Foreign Transactions Reporting Act, Congress again designated a single agency (the Treasury), even though enforcement as to insured banks was left to the three Federal bank agencies. Similarly, in the Securities Acts Amendments of 1975, the SEC was given authority to prescribe substantive regulations applicable to banks which act as transfer agents, securities depositories or municipal securities dealers, while each Federal banking agency is required to enforce such regulations as to banks which it examines. In a slight modification, the effect of which was to make the SEC paramount in matters of bank disclosure, the Depository Institutions Amendments Act approved October 28, 1974, requires each Federal bank agency to follow the

SEC's lead on such matters or spell out its justification for a different position insofar as banks whose securities must be registered with that agency are concerned.

The most obvious and far-reaching decision to centralize, of course, came with the Bank Holding Company Act Amendments of 1970, which expanded the coverage of the Bank Holding Company Act of 1956 to include a company controlling only one bank and maintained exclusive authority in the Federal Reserve Board not merely for the promulgation of bank holding company regulations but also for the enforcement of such regulations, irrespective of the agency supervising the lead bank or the bulk of the assets in a given bank holding company.

As these laws make clear, a pattern of centralization in bank regulation has been evident ever since the 1968 passage of the Truth-in-Lending Act. Today, centralization is more the rule than the exception -- the Bank Protection Act of 1968 being about the only significant example of a recent act of Congress which assigned rulemaking as well as enforcement powers equally to all three Federal bank agencies. So I would repeat that taking the current consolidation proposals too lightly runs the risk of ignoring not merely some deep-seated hostility in the Congress to the basic tripartite regulatory structure which exists at the Federal level but also the success which determined Members of the Congress have had, despite the existing system, in centralizing bank regulation with almost every new act of bank regulation the Congress passes.

Moreover, there are some significant arguments in favor of a single Federal bank agency to which most observers would subscribe -- even those that see significant disadvantages as well. Besides the simplicity of having only one agency accountable to the public and the Congress in matters of bank regulation, these advantages would include: the economies that could be achieved by reducing the number of separate legal, research, training and other units which each of the three existing agencies maintains in Washington, the more efficient use of specialized examiners and other experts -- combined with adequate career possibilities to retain the best qualified among them, the divorce of bank supervision and examination from the frequently conflicting goals of monetary policy, greater coordination in the supervision of failing banks along with speedier resolution of their problems, and a more comprehensive overall view of the operations and risk exposures of both one-bank and multi-bank holding companies together with their various nonbank affiliates.

In my testimony on this subject before a House Subcommittee last July, I expressed my opposition, and Director LeMaistre's opposition, to the consolidation proposals then pending, "largely because we believe [they] would eliminate any meaningful choice between the regulatory options now available to the nation's insured banks. We believe that over the years the banking public has benefitted from the flexibility in chartering and supervision which that choice entails and that it should not be lightly discarded."

We went on to say:

> "Such a consolidation represents one extreme, however, of the broad spectrum of proposals which might appropriately be considered by the Congress if it determines that significant

change should be made in the existing structure of bank regulation at the Federal level. We believe, for example, that it may be possible to achieve many of the advantages of greater centralization without giving up the meaningful regulatory choice to which we have referred.

"We have no specific proposal to lay before you today that would, in our judgment, accomplish this intermediate result, but we have asked our staff to continue their efforts to see if a feasible and detailed proposal can be developed that would meet our two objectives as well as the needs of other legitimate regulatory interests, such as the formation and implementation of monetary policy. * * *

"I would conclude by stating that the FDIC is not wedded to the existing bank regulatory structure. It is quite prepared to see its own powers and responsibilities significantly changed if the Congress believes such changes are likely to lead to a more rational system of bank regulation in behalf of the American public. This is a complex area, however, for legislative reform, and I would urge the greatest care and deliberation on the part of the Subcommittee as it proceeds."

This morning I am prepared to offer such an intermediate proposal -- a proposal which could realize a significant number of the benefits which ought to flow from a greater centralization of bank regulatory functions at the Federal level, yet retains what I believe to be the key benefits of innovation, state-by-state diversity and protection against bureaucratic rigidity and inflexibility which flow from the regulatory choice presently available to almost all insured banks. The specifics of my proposal draw heavily on twelve years of personal experience as a bank regulator, the first six at the state level and the last six in my present assignment. Unlike a number of other variants on regulatory consolidation that have been advanced, this one could be easily and quickly implemented with very little disruption of existing personnel and procedures. It maintains a spirit of controlled competition between regulatory officials, thereby encouraging internal review and better regulatory performance. Finally, it has the virtue of being susceptible to further evolution in the light of actual experience with its benefits and deficiencies and in the light of ongoing developments in the financial structure, such as more intensive competition between commercial banks and thrifts, more extensive interstate banking and more comprehensive depositor service through EFT facilities and wire transfer systems. Briefly stated, it contains these elements:

1. The Office of the Comptroller of the Currency would be continued with only two significant modifications in its existing powers and jurisdiction. The first would authorize the Comptroller to approve or deny nonbank acquisitions by one-bank holding companies in accordance with Regulation Y § 225.4 where the only bank subsidiary of the holding company is a national bank and would similarly place in the Comptroller's Office full examination and supervisory powers over each such one-bank holding company. The second significant modification I would recommend would be to transfer jurisdiction over mergers and similar types of acquisitions where the resulting bank is a national bank to the multi-member board described below.

2. The bank examination and supervisory powers of the Federal Reserve System and the FDIC dealing with State-chartered banks would be combined in a new office, headed by a single administrator, as suggested by the Hunt Commission. This official, who would serve a five-year term

like the Comptroller's, might be named the "Federal Supervisor of State Banks." He too should be authorized to approve or deny nonbank acquisitions by one-bank holding companies in accordance with Regulation Y § 225.4 where the only bank subsidiary of the holding company falls within his jurisdiction (i.e., where it is State-chartered) and to conduct all Federal examination and supervisory activities with respect to such a holding company. Jurisdiction over mergers and similar types of acquisitions where the resulting bank is a State bank would be transferred to the multi-member board described below.

3. A five-member Federal Banking Board would be created, with three ex officio members: the Comptroller of the Currency, the Federal Supervisor of State Banks, and a Governor of the Federal Reserve System designated for this purpose by the Board of Governors. The two remaining members would be appointed by the President and confirmed by the Senate for terms of five years each, one of whom the President would designate as Chairman. The powers of this Board should be limited to those necessary to implement uniform national policy in the regulation of the nation's banks and should be very carefully and specifically detailed by the Congress in its enabling legislation.

Since I believe the Congress has already indicated the desirability of a uniform national policy in the following areas, I would assume that each of them would be administered by the proposed Federal Banking Board:

(i) the Federal deposit insurance program, including the present liquidation and receivership functions of the FDIC, the present financial assistance authority of the FDIC with respect to banks in danger of closing, and the powers of the FDIC relating to the custody, control and investment of the FDIC trust fund; (ii) the bank holding company powers presently vested in the Federal Reserve Board -- other than those related to one-bank holding companies which I would assign to the Comptroller of the Currency or the Federal Supervisor of State Banks, i.e., the power to approve or deny specific nonbank acquisitions of one-bank holding companies in accordance with Regulation Y § 225.4 and the responsibility to examine and supervise such one-bank holding companies and all of their affiliates; (iii) bank acquisitions which presently fall under the Bank Merger Act; (iv) the promulgation of uniform regulations applicable to all insured banks which the Congress has heretofore assigned to the Federal Reserve Board, such regulations to be enforced in the case of national banks by the Comptroller of the Currency and in the case of State banks by the Federal Supervisor of State Banks; */ and (v) the collection of basic financial data and other essential information from insured banks which is needed on a uniform basis regardless of charter.

Obviously, the availability of a multi-member Board for these basic purposes might prompt the Congress to review other statutes which contemplate

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*/ Examples of such regulations include those relating to nonbank activities under the Bank Holding Company Act and those promulgated or to be promulgated under the Truth-in-Lending Act, the Fair Credit Billing Act, the Equal Credit Opportunity Act, and the Federal Trade Commission Improvements Act.

tripartite rulemaking and enforcement, such as the Bank Protection Act, but in my view Congressional additions to the powers of the Federal Banking Board should be strictly limited to those where the need for uniformity is obvious and convincing. To assign all matters of substance to this Board, even if national uniformity is not required, would only serve to detract from the flexibility and vitality that is possible with separate national and state banking systems.

4. The Federal Banking Board should have certain powers of oversight in the examination and supervision of insured banks. My proposal contemplates the continued examination of national banks by the Comptroller of the Currency and the examination of State banks by the Federal Supervisor of State Banks in conjunction with state banking departments. The proposed Federal Banking Board would, however, be administering the deposit insurance program and it should routinely examine a small percentage of both national and State banks annually in order to evaluate the quality of the examination reports it receives on a regular basis from their respective supervisors. For this purpose, it will need a modest number of experienced and well-trained examiners and support personnel whose ranks it can supplement by temporary details from the Office of the Comptroller and the office of the Federal Supervisor of State Banks. The Board should also have the power to synchronize examinations of all bank subsidiaries and affiliates of multi-bank holding companies, even though the actual bank examination work is performed by the Comptroller of the Currency and the Federal Supervisor

of State Banks. In addition, the Board should have full authority to co-ordinate, synchronize and supervise the workout of systemwide problems in multi-bank holding companies.

5. The Federal Banking Board should maintain close working relationships with the Federal Reserve System as the nation's central bank. These relationships are likely to be multi-faceted in view of the Federal Reserve's role as "lender of last resort," formulator of monetary policy and the nation's representative among central banks of the world. This is one reason why the Federal Banking Board I am proposing has among its members a Governor of the Federal Reserve Board, but more explicit relationships will be necessary. The Federal Reserve System should be authorized, for example, to continue to collect from all member banks the information necessary for the formulation and implementation of monetary policy, while the Federal Banking Board would be charged with the duty to develop, compile and transmit any other information on the banking system which the Federal Reserve needs in the formulation of monetary policy or in its overseas relations. The Federal Reserve System should have regular input into the decisions of the Comptroller of the Currency, the Federal Supervisor of State Banks and the Federal Banking Board with respect to the activities of foreign banks and their affiliates in this country as well as the activities of U. S. banks overseas. Emergency borrowings from the Federal Reserve discount window should be available to member and non-member banks alike upon certification by the Federal Banking Board that they are in danger of failing and that such assistance is necessary for a

temporary period until a merger, a receivership sale or some other orderly resolution of the bank's problems is arranged. The Federal Banking Board, in turn, should be authorized to guarantee the repayment of such borrowings to the Federal Reserve System out of the resources of the Federal deposit insurance fund which the Federal Banking Board will be administering.*/ The Federal Banking Board should also be required by law to keep the Federal Reserve System fully informed with up-to-date information as to the financial condition of all such banks engaged in emergency borrowing from the Federal Reserve's discount window. These special provisions would not affect other types of borrowing by member banks from the discount window.

6. <u>The Federal Banking Board should pay all costs of examination and supervision incurred by the Comptroller of the Currency and the Federal Supervisor of State Banks and should have further authority to defray the expenses of qualified state banking departments which take over by contract any of the examination or supervisory functions of the Federal Supervisor of State Banks.</u> These expenses can be readily absorbed, without the appropriation of tax revenues raised from the general public, in the gross annual income

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*/ The authority to guarantee such emergency borrowings from the Federal Reserve may make an increase desirable in the amount, presently $3 billion, which the FDIC (and the proposed Federal Banking Board in the future) can draw from the United States Treasury on demand, over and above the assets available in the Federal deposit insurance fund.

derived by the Federal Banking Board from Federal deposit insurance premiums paid each year by the nation's insured banks and from the investment income of the Federal deposit insurance fund accumulated since 1934.

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It is obvious that this proposal has two basic features. One attempts to accommodate the demands for greater centralization at the Federal level with the traditions and potentials of our existing system of national and state banks. The other removes the Federal Reserve Board from day-to-day decision-making in matters of banking regulation and supervision when its principal job is and will no doubt remain the formulation and implementation of monetary policy. A word about each of these matters is necessary.

Over the years, the fact that competing banks could be chartered and regulated under either Federal or state law has resulted in significant benefits to the American public by way of financial service and convenience. For qualified people seeking to enter the banking business, a turn-down by the Comptroller or the local State Supervisor was not necessarily the end of the line. Many banks which have survived and prospered would not be in business today if an alternative means of entry had not been possible initially. This is only one example, but perhaps the clearest, of how public convenience and needs can be served despite an initial denial by a different regulator. Although many innovations in banking service since 1960 have been encouraged by rulings of successive national bank authorities, only to be authorized thereafter by state supervisors or state legislatures for State-chartered banks, it would be well to remember that the first branches were established by State banks acting under state authority, the first real estate loans were made by State banks and State banks were the ones first authorized to offer fiduciary services to their customers. Moreover, one cannot disregard current state efforts in the area of electronic funds transfer, consumer protection and financial reform. In this last regard, I think it highly significant that Maine has already implemented the essential elements of the reforms proposed by the Hunt Commission and contained in the Administration's proposed Financial Institutions Act. Some banking innovations spread only from one state system to another, frequently with variations suggested by experience or a different banking environment. When it functions properly, the dual banking system is both pro-consumer, in the sense that it fosters the introduction of services bank customers need or desire, and pro-competitive, in the sense that a liberal policy in one system with respect to new charters, new branches or new services can permanently disrupt a confortable status quo in a given service area with obvious benefits to local bank customers.

A properly functioning dual banking system is also a significant protection against unreasonable, inflexible or arbitrary regulatory conduct, as is voluntary membership in the Federal Reserve System. Without new ideas, persistently applied, nurtured and absorbed, any bureaucracy can go through an ossification process just like the petrified forests that long ago stopped producing trees. This hasn't happened in bank regulation, or at least not for long, largely because the number of regulators is so large and the possibility of switching regulators is so widely recognized that new ideas, sooner or later, will have to be considered by even the most resistant of regulatory authorities. Competition among bank regulators, in other words, can be a healthy thing if it leads to better examining techniques, better administrative procedures, improved financial services for the public, or a more competitive banking envoronment.

Accordingly, I believe our system of national and State banks, separately chartered and regulated, is worth preserving. This accounts for the prominence I would continue to give to the Office of the Comptroller and for the role I would envisage for the proposed Federal Supervisor of State Banks vis-a-vis state banking departments. While the Comptroller's Office has been on the defensive in the past two years because of the widely publicized failures and near failures of large national banks, numerous reforms have been instituted and there seems now to be a general alertness to problem situations and a determination to deal with them forcefully that augurs well for the future. Many state banking departments continue to be plagued by low salaries, inadequate numbers of experienced examiners and underfunding generally, but the number of departments capable of taking over a significant portion of the state bank examination and supervisory load now supplied by Federal Reserve and FDIC personnel could be substantially increased with Federal funding from the income stream of the FDIC as contemplated by my proposal.

The consolidation proposals now pending in the Congress all seem to contemplate the exact same treatment of national and State banks at the Federal level, an homogenization which in my view would, over time, destroy the vitality of the dual banking system.

I think it imperative, however, that the insuring agency, which in my proposal is the Federal Banking Board, should have the power to spot-check by actual examination each year of a small percentage of State and national banks. This will enable the Board to monitor the quality of the examination reports it receives on a regular basis from the Comptroller's Office, from the Federal Supervisor of State Banks and conceivably from qualified state banking departments in states where the Federal Supervisor of State Banks has withdrawn, in whole or in part, from the examination and supervision of State banks. This explicit examination power should help keep both national bank and State bank examining forces on their toes and should provide an additional incentive beyond the dual system itself to keep the immediate supervisors of both types of banks fully responsive to new developments in banking and to emerging public needs. Moreover, I would envision that when significant inadequacies are found in the available supervisory tools, the Federal Banking Board would convey to the Congress and otherwise make public its views and recommendations.

The removal of the Federal Reserve Board from day-to-day decision-making in matters of banking regulation and supervision is overdue. In that regard, I share the view expressed by former Vice Chairman Robertson almost ten years ago, and echoed by Governor Bucher earlier this year, that "Supervision is too important a function in itself to be the Federal Reserve's part-time job." If that was true prior to the enactment of the 1970 Bank Holding Company Act Amendments and the various "consumer protection" laws the Board is now administering, it is even more persuasive today.

The basic problem, of course, is that where the implementation of monetary policy goals is combined with bank regulation and supervision, the former will always be viewed as more important than the latter and the temptation or threat is ever present to use the powers of regulation and supervision to reward banks for their cooperation or to penalize banks for their lack of cooperation with the Board's most recent view of its monetary policy goals. Since those goals change with some frequency, the likelihood of a consistent, evenhanded approach to matters of bank regulation and supervision over any length of time is very much in doubt. Whereas prior to 1970, this was a special concern only of large State member banks which the Federal Reserve System actually examined or of member banks forced to the discount window, it is now the concern of every bank in a holding company system.

A majority of the present Board of Governors has stated that "Now, more than ever before . . ." the nation's central bank "needs to be involved in the process of bank regulation and supervision" since "the Fed's key roles as monetary policy-maker and as lender of last resort reach into territory conditioned by prevailing bank supervisory and regulatory policies. Each of those sets of public policies affects the effectiveness of the other. Their close coordination is much to be desired." */ The proposal I am making recognizes the need for close coordination, but it does not concede the necessity for monetary policy purposes of day-to-day involvement by the Board of Governors in bank examination, bank holding company decisions or the implementation of numerous "consumer protection" laws. So far as I am aware, my view of these matters is shared by most knowledgeable observers outside the System and by quite a few within it.

Without elaborating in detail, which I will save for Congressional testimony, I believe that my proposal also deals effectively with the following problems of bank regulation at the Federal level:

-- It provides a more logical regulatory framework for dealing with the expansion and soundness of one-bank holding companies, a holding company group which is likely to increase significantly in number and importance as more and more states move to full statewide branching.

-- It centers in a multi-member board where the Federal regulators of national and State banks can both be heard full responsibility for the development and regulation of multi-bank holding companies and for promulgating the permissible nonbank activities of all bank holding companies.

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*/ July 20, 1975, testimony of Governor Holland before the Subcommittee on Financial Institutions, Supervision, Regulation and Insurance of the House Banking, Currency and Housing Committee.

-- It centers in the same multi-member board responsibility for developing uniform standards to govern the acquisition of two or more insured banks, regardless of the technical form of the acquisition and regardless of the charter status of the resulting bank.

-- It creates a better mechanism than exists today for the total coordination of regulatory efforts to resolve the problems of failing banks, including a limited power in the proposed Federal Banking Board to oversee the examination quality of the Comptroller's Office and the office of the Federal Supervisor of State Banks. */

The proposal does not attempt to resolve some important, but currently peripheral, issues in bank regulation today, such as (i) whether the power to set deposit rate ceilings should continue to reside in three different Federal agencies or should be transferred exclusively to the Federal Reserve as the nation's central bank; or (ii) whether the concept of "membership" in the Federal Reserve System should be replaced by uniform reserves and equal access to Federal Reserve facilities; or (iii) whether in due course the regulatory structure and insurance programs for savings and loan associations and credit unions should be melded into the proposed Federal Banking

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*/ Several other aspects of my proposal would also centralize and improve the handling of failing banks. These include the centralization within the Federal Banking Board of (1) the present authority of the FDIC to provide financial assistance to failing banks; (2) the authority to certify to the Federal Reserve System the need for emergency discount window borrowing, the monitoring of banks in that situation, and the authority to guarantee to the Federal Reserve System that such emergency borrowings will be repaid; and (3) bank merger decisions and decisions on multi-bank holding company acquisitions which are sometimes essential for the resolution of a failing bank problem.

Board. My proposal assumes that these matters will remain temporarily as they are, pending more detailed and concentrated study of the inter-relationships which would be changed if Congress moves away from the existing order in any one of these areas.

I believe, however, that my proposal would be compatible with and could be adjusted to most of the solutions which have been offered on these controversial matters. In that sense, the regulatory restructuring I am proposing should be considered an interim structure, susceptible of further evolution in the light of experience and future developments in financial competition and service. If thrift institutions receive enlarged powers both on the asset and liability side and the protections they presently enjoy, like the Regulation Q differential, are in time removed, they should be subject to regulation and reserve requirements similar to those imposed on commercial banks. If EFT developments or the interstate activities of banks and bank holding companies present difficult or insoluble problems of regulation for state banking departments, I would expect a significant shift of authority over large State banks to take place as between state supervisors and the Federal Supervisor of State Banks; at the same time, the nationwide jurisdiction and capabilities of the Comptroller's Office may become an increasingly powerful incentive for such banks to assume a national charter.

None of us can be clairvoyant about the future activities of deposit institutions in this country ten, fifteen or twenty years hence. The pace of change is accelerating, in my judgment, not slowing down. What we need is a regulatory structure that works well under a wide variety of circumstances, that remains receptive to new ideas, that can endure stress and still stay flexible in the light of the new technology which is constantly enlarging the reach of our financial institutions. The proposal I am making today may, I hope, be a contribution to that end.