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C. ADMINISTRATIVE CONTROL AND SUPERVISION OF CREDIT— QUALITATIVE

I. FEDERAL DEPOSIT INSURANCE CORPORATION, DIVISION OF RESEARCH AND STATISTICS

Bank supervision and the functions of bank supervisory agencies

One of the unique features of the American banking system as at present organized is the pyramid of supervisory agencies, Federal and state. The functions performed by the several supervisory agencies are in part complementary and in part supplementary. In several respects, however, they are duplicative and so give rise to administrative differences and conflicts. In view of this situation an investigation has been launched to analyze the types of supervisory action exercised, or authorized by law, by the various Federal and state banking authorities. The study will also involve a consideration of bank reports, examination methods and procedures, the effects of regulations or prohibitions of practices considered to be unsafe or unsound, bank capitalization practices, adequacy of banking facilities and bank chartering methods, standards for determining doubtful assets and other aspects of supervisory action. The objective is to build up a body of principles of bank supervi-

sion and to determine as precisely as possible the character and limits of supervisory action appropriate to the existing banking structure.

In preparation under the direction of Homer Jones as a Research Division project. Findings will be published from time to time in the *Annual Reports* of the Corporation.

See also IIC4-7

2. FEDERAL DEPOSIT INSURANCE CORPORATION, DIVISION OF RESEARCH AND STATISTICS

Results of the liquidation of closed banks

With a view to providing the Corporation with information concerning the effectiveness of different ways of composing and settling claims of creditors of insolvent banks, and expenses and losses incidental thereto, experience is being investigated along three separate lines. First, a study of banks that were not licensed to reopen after the banking holiday or were reopened on a restricted basis only in order to determine: (a) the proportion of deposits that were not released to depositors; (b) the proportion of deposits released subsequently; (c) the number of banks reorganized and reopened; (d) the number of banks combined to form new institutions; (e) the number of banks completely or partly liquidated. Second, analysis of data published in the *Annual Reports* of the Comptroller of the Currency on the cost and length of time of receivership for groups of banks of different sizes. Third, a survey of the experience of state banking authorities in the liquidation of failed banks, with respect both to costs of receivership and to losses sustained by depositors.

In preparation, parts 1 and 3 under the direction of

Clark Warburton, part 2 under the direction of Florence Helm, as a Research Division project. Findings, as available, will be published in the *Annual Reports* of the Corporation.

3. UNIVERSITY OF VIRGINIA, INSTITUTE FOR RESEARCH IN THE SOCIAL SCIENCES

The supervision and control of Virginia state banks

One of Virginia's important economic problems is the proper control of her banking system. The purpose of this investigation is to indicate what elements in her present system of state bank supervision can be improved. The investigation is made up of the following main divisions: (a) the historical development of state incorporated banks in Virginia and of the successive regulatory and supervisory steps taken to control them; (b) an analysis of the legal status of state bank supervision; (c) a descriptive survey of the present system of state bank supervision in Virginia; (d) an analysis of the possible changes and modifications that might be made to strengthen the present system of supervision and institute a more satisfactory measure of control of local banking conditions.

Prepared by Allan G. Gruchy, Research Associate in Commerce of the Institute, publication early in 1937 is scheduled.

4. AMERICAN BANKERS ASSOCIATION, COMMITTEE ON BANKING STUDIES

Bank chartering and supervision

A new project devoted to questions of bank chartering and bank supervision in the United States has been au-

thorized by the Committee on Banking Studies. It is at present in an exploratory stage and plans for the entire program of study have not been fully worked out.

See also IIIC₁

5. AMERICAN BANKERS ASSOCIATION, STATE BANK DIVISION

Surveys on state bank supervision, 1934, 1929 and 1924

To ascertain tendencies in state bank supervision, the results of surveys of the status of state bank supervision made by the State Bank Division in 1924, 1929 and 1934 have been brought together in a single study. Summary analysis deals with: (a) the present status of state banking departments; (b) recent changes in the selection, qualification, terms of office, etc., of banking commissioners; (c) tendencies in the number, selection and assignment of bank examiners; (d) changes in capital requirements of new state chartered banks; (e) the addition to powers of state supervisors; (f) the views of supervisors on needs for new legislation. Other parts of the study present a complete tabulation by states of all questionnaire replies received from state bank supervisors in the three surveys.

Recently completed, this summary is available in mimeographed form to members only.

See also IIIC₁

6. JONES, HOMER

*Principles and practices of bank supervision in the United States*¹

The contemporary system of bank supervision in the United States is being analyzed to ascertain its essential principles as provided for under Federal and state bank-

ing laws, and the adequacy and effectiveness of current supervisory practices in terms of the ends that supervision is presumably designed to serve. The inquiry is being directed in the first instance to the control of the formation of banks and of their organization and structure as financial institutions. Consequently, it deals with such aspects of supervision as: (a) the chartering of banks; (b) the powers and limitations of powers of banks with respect to their banking and fiduciary activities; (c) powers of expansion through branches, mergers, consolidations and affiliates; (d) the regulation of capital structures; (e) relations with supervisory authorities. The second division of the inquiry is concerned with the supervision of operations of active banks, and analyzes: (a) supervision of banks from the standpoint of their liquidity or ability to maintain cash payments; (b) supervision with the aim of ascertaining solvency and preventing insolvency; (c) supervision from the angle of general social policy; (d) supervision as a service to banks; (e) the means of enforcement of supervision; (f) reports and examinations as supervisory instruments. A final section of the investigation is devoted to the regulation of inactive banks and covers: (a) double liability provisions of bank stocks; (b) the reorganization and reopening of closed banks; (c) receiverships and liquidation procedures; (d) publicity aspects of supervising bank liquidation.

It is the intention to publish several sections of the study when completed as articles in professional journals. The entire study will probably not be completed before 1938.

See also IIC₁, 2 and 7

† Ph.D. thesis, The University of Chicago.

7. NEILAN, E. P. [FEDERAL RESERVE BANK OF NEW YORK,
NEW YORK, N. Y.]

*Trust examinations*¹

The adequacy of methods and procedures prevailing in the examination of trust departments of banks is the immediate problem of this inquiry. As a setting for analysis, the inauguration and growth of trust supervision by banking authorities is reviewed and the causes for the expansion of the trust examination program in recent years indicated. In the light of this setting, the following aspects of trust examinations are treated: (a) the problems of examining the administration and management of bank trust business, of determining the observance of laws and regulations, and of offering constructive suggestions for improved trust administration; (b) the distinctive qualifications of trust examiners and the problems of developing a competent examining personnel; (c) the effectiveness of accepted examination practices and changes in practices required to improve trust examinations; (d) specific problems of individual bank examination; (e) improved records and procedures of banks to expedite trust examinations.

See also III C₁ and 6

¹ Thesis, Graduate School of Banking, American Institute of Banking, Section American Bankers Association. This study represents the individual research of the author and is not to be construed as representing in any way official opinions on trust examinations.