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Researching US regulation of the banking industry through official publications

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Abstract

Part I of this article traces the legislative origins of United States (US) federal agencies having primary responsibility for regulating the current US banking industry. These agencies include: Office of the Comptroller of the Currency (OCC), the Federal Reserve Board (FRB), the Farm Credit Administration (FCA), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of Thrift Supervision (OTS), and the Federal Housing Finance Board (FHFB). Each agency's publications are listed (including whether these items are presently distributed through the Federal Depository Library System), along with corresponding telephone numbers and mailing addresses. It further lists each agency's Internet site with brief outlines of the contents of each site. Part II includes a list of other resources to consider (paper and electronic) when researching legislative information on this subject.

Keywords: US banking regulation; US government bank regulatory agencies; US banking legislation; US banking industry supervision

1. Introduction

This paper was developed as an aid for researchers on the topic of federal government regulation of the United States (US) banking industry. Part I discusses the key agencies involved in formulating or enforcing current banking laws and the historical legislation that

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created them, while Part II offers additional resources to use for locating official government information on this subject (both current and historical).

1.1. Part I

1.1.1. The origins of US federal banking regulators

1.1.1.1. The National Currency Act of 1863 and National Banking Act of 1864. Prior to 1863, the US had been in a period called "free banking," which was characterized by ease of entry into the banking industry, lax supervision by state regulators, and a nonstandardization of currency. The National Currency Act of 1863[1] and its successor, the National Bank Act of 1864[2], attempted to address these deficiencies by establishing a uniform national currency (some say in order to finance the Civil War), a national banking system, and a federal chartering and regulatory authority — the Office of the Comptroller of the Currency (OCC; see Table 1). The creation of the OCC marked the first time in US history that a federal administrative agency was set up exclusively to regulate an important economic activity.

The fundamental rationale for bank regulation at this time was to provide for a national currency that would circulate at par value, and would be issued by banks with a very low probability of failure. As the sole administrative agency giving undivided attention to the regulation of national banks, the OCC was charged with maintaining a sound national banking system through four main responsibilities:

1. Chartering new banks,
2. Conducting examinations,
3. Minimizing bank failures, and
4. Disposing insolvent banks.

With the passage of the above acts, it was hoped that more state-chartered banks would have converted to national charters. Although some conversions did occur, many institutions decided to remain state-chartered. Thus, the "dual banking system" was created (which remains in existence today), where a bank could apply for either a state or federal charter.

1.1.1.2. Federal Reserve Act of 1913. The National Banking Act established a system of national banks, but did not create a central bank. Twice before (1791 and 1816), Congress had attempted to charter a central bank only to see the charters expire when members believed that it either became too powerful or was not benefiting the general population.

However, the 50 years after the passage of the National Banking Act were marked by surging economic growth interrupted by economic crises, frequently accompanied by the collapse of the monetary system. This occurred because the Act required banks to keep reserves (ready money) on deposit with certain city banks (primarily in New York). If one of these "reserve" banks was unable to pay on demand, the repercussions were felt throughout America. By 1913, there had been five major panics:

1. Black Friday 1869 (gold speculation),
2. Black Thursday 1873 (railroad stock speculation; failure of Cooke Banking House),