

**Information Report:
A Primer on
5 Federal Financial Regulatory Agencies**



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Contents

Evaluation Report..... 2

Principal Agencies 2

 Office of the Comptroller of the Currency3

 Office of Thrift Supervision3

 Federal Deposit Insurance Corporation.....3

 Federal Reserve System.....4

 National Credit Union Association.....5

Assessments and Income..... 7

Deposit Insurance..... 8

Summary..... 8

Appendices

Appendix 1: Major Contributors to this Report 10

Appendix 2: Report Distribution..... 11

Abbreviations

BIF	Bank Insurance Fund
FDIC	Federal Deposit Insurance Corporation
FED	Federal Reserve System
FHLBB	Federal Home Loan Bank Board
FRB	Federal Reserve Bank
FSLIC	Federal Savings and Loan Insurance Corporation
FTE	Full Time Equivalent
NCUA	National Credit Union Administration
NCUSIF	National Credit Union Share Insurance Fund
OCC	Office of the Comptroller of Currency
OTS	Office of Thrift Supervision
SAIF	Savings Association Insurance Fund
Treasury	Department of the Treasury

*The Department of the Treasury
Office of Inspector General*

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Sheila Bair
Assistant Secretary for Financial Institutions

Authority for regulating depository institutions at the Federal level is divided among five principal agencies. Which agency has regulatory authority over which depository institution depends on several factors, including whether a depository institution has a state or national charter, whether it is a member of the Federal Reserve System (FED), and whether it is a bank, savings institution, or credit union. In many cases, regulatory authority overlaps between Federal agencies, or between Federal and state regulators.

We are pleased to provide this information report, *A Primer on 5 Federal Financial Regulatory Agencies*, conducted at the request of the Inspector General.

We incorporated the comments from your office, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision where appropriate.

Principal Agencies

Office of the Comptroller of the Currency



Established in 1863 as a bureau within the Department of the Treasury (Treasury), the Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises all nationally-chartered banks and supervises the U.S. branches and agencies of foreign banks. Through its Washington, D.C., headquarters and six district

offices, OCC examiners perform statutorily required examinations of nearly 2,500 banks, branches, and agencies of foreign banks subject to the Comptroller's supervision.

The Comptroller is appointed by the President and confirmed by the Senate for a term of 5 years. The Comptroller also serves on the Federal Deposit Insurance Corporation (FDIC) Board of Directors. OCC's fiscal year 2000 operational costs totaled \$392 million, including salary costs for 2,878 Full Time Equivalent (FTE) positions. Its cost per FTE was approximately \$136,000.¹ OCC is headquartered in Washington, D.C., with six district offices in New York, Atlanta, Chicago, Kansas City, Dallas, and San Francisco.

Office of Thrift Supervision



The Office of Thrift Supervision (OTS) was established in 1989 as a bureau within Treasury and is the successor to the Federal Home Loan Bank Board (FHLBB). The FHLBB had been the Federal supervisor of savings and loan associations and some savings banks. However, OTS did not assume all of the FHLBB's responsibilities. For example, the deposit insurance responsibilities of the FHLBB were transferred to the FDIC. OTS charters Federal savings associations and regulates and supervises all savings associations and savings and loan holding companies. OTS alternates with state authorities in examining state-chartered savings institutions.

The OTS Director is appointed by the President and confirmed by the Senate for a term of 5 years. In addition, the Director serves on the FDIC Board of Directors. In 2000, OTS had operating expenses of about \$157 million, including salary costs for 1,247 FTEs resulting in a cost per FTE of about \$126,000. OTS' headquarters is located in Washington, D.C., with regional offices in Jersey City; Atlanta; Chicago; Irving, Texas; and Daly City, California.

Federal Deposit Insurance Corporation

The FDIC was created in 1933 to restore public confidence in the nation's banking system. The FDIC is now the primary Federal

¹ Cost per FTE was requested for each agency. However, each agency has a different mix of responsibilities, so this ratio should not be interpreted as a measure of relative efficiency.



regulator of Federally-insured, state-chartered banks that are not members of the Federal Reserve System. The FDIC alternates examinations of state non-member banks with state regulatory agencies. The FDIC also operates two insurance funds, which insure accounts at insured banks for up to \$100,000. The Bank Insurance Fund (BIF) insures commercial banks and the Savings Association Insurance Fund (SAIF) insures Federal savings and loans and some savings banks.

The FDIC is managed by a five member board of directors, two of whom are the Comptroller of the Currency and the OTS Director. The remaining three board members are appointed by the President and confirmed by the Senate. For fiscal year 2000, the FDIC's budget was \$1.187 billion with approximately 7,046 employees at a cost per employee of almost \$168,500. The FDIC operates from its headquarters in Washington, D.C., and eight regional offices located in Atlanta, Boston, Chicago, Dallas, Kansas City, Memphis, New York, and San Francisco.

Federal Reserve System



The FED, established in 1913, has several responsibilities including (1) conducting the nation's monetary policy in pursuit of full employment and stable prices, (2) containing systemic risks in financial markets, and (3) providing certain financial services to the U.S. Government. In the area of banking regulation, it is the primary Federal regulator of state-chartered banks that are FED members, and bank holding companies. The FED alternates examinations of state-chartered member banks with state regulatory authorities.

A seven member board known as the Federal Reserve System Board of Governors controls operations of its Washington, D.C., headquarters, supervises 12 Federal Reserve Banks (FRB) and several monetary and consumer advisory committees, and sets policy for thousands of member banks across the country. Each FRB has authority over member banks, bank holding companies, and foreign banks operating in its area. The 12 FRBs are located in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco. Twenty-five branch offices are associated with these 12 FRBs. In 2000, the FED's operating expenses were \$2.935

billion with over 23,000 employees, resulting in a cost per FTE of about \$128,000.

National Credit Union Association



The National Credit Union Association (NCUA) examines and insures all Federal credit unions and a number of state credit unions. The Federal Credit Union Act of 1934 allowed the establishment of Federally-chartered credit unions, but until the creation of the NCUA in 1970, responsibility for regulating credit unions shifted across several different agencies. The NCUA operates the National Credit Union Share Insurance Fund (NCUSIF), also created in 1970. The NCUSIF performs a function similar to the FDIC in insuring member accounts up to \$100,000, but the NCUSIF is capitalized solely by credit unions. Throughout the 1970s, new legislation allowed credit unions to expand their services and increase the protection they offered to their depositors.

The NCUA is managed by a three member board of directors who are appointed by the President and confirmed by the Senate. During FY 2000 the NCUA's operating expenses were about \$130 million including salaries for 1,002 FTEs, resulting in cost per FTE of approximately \$129,000. The NCUA is headquartered in Alexandria, Virginia, with additional offices in Atlanta; Chicago; Albany; Austin; and Concord, California. NCUA also operates an Asset Management and Assistance Center in Austin.

Principal Regulatory Agencies				
Agency	Legislation	Primary Regulatory Responsibility	Assets Supervised (Approx.)	Number of Institutions Supervised (Approx.)
OCC	National Bank Act of 1864 ¹	Nationally-chartered banks	\$3.4 trillion ²	2,176 ²
OTS	Home Owner's Loan Act of 1933, as amended by FIRREA ³	All nationally-chartered and some state-chartered savings institutions Savings and loan holding companies	\$0.9 trillion ⁴	1,068 ⁴
FDIC	Banking Act of 1933	State-chartered banks that are not members of the FED	\$1 trillion ²	5,200 ²
FED	Federal Reserve Act of 1913	State-chartered member banks Bank holding companies	\$1.4 trillion ²	1,010 ²
NCUA	Federal Credit Union Act of 1934, (amended 1970 and 1998)	Federally-insured credit unions	\$0.5 trillion ⁵	10,145 ⁵

¹The National Bank Act of 1864 superseded the National Currency Act of 1863 which originally established the OCC.

²As of 6/2001. Source: OCC.

³Financial Institutions Reform, Recovery, and Enforcement Act of 1989

⁴As of 12/2000. Source: OTS.

⁵As of 6/2001. Source: NCUA.

Assessments and Income

Assessment Rates/Fees and Sources of Income	
Agency	Description
OCC	<ul style="list-style-type: none">▪ Assessment fees based on size, condition, and “lead” or “non-lead” bank within the holding company. Fees are derived from examinations and processing of corporate applications.▪ Interest on investment income (primarily U.S. Government securities).▪ For 2002, banks with assets of \$2 million or less will pay a flat rate fee of about \$10,000. Fees for larger banks are assessed on an incremental scale.
OTS	<ul style="list-style-type: none">▪ Assessment fees based on the size, condition, and complexity of an institution’s portfolio.▪ Interest on investment income (primarily U.S. Government securities).
FDIC	<ul style="list-style-type: none">▪ Interest on the required investment of its surplus funds in U.S. Government securities.▪ If needed, authority to borrow from the Treasury up to \$30 billion for insurance purposes.▪ Insurance funds (BIF and SAIF) are capitalized and maintained by risk-weighted assessments based on the value of insured banks’ deposits.
FED	<ul style="list-style-type: none">▪ Interest on U.S. Government securities acquired through open market operations.▪ Interest on foreign currency investments and loans to depository institutions.▪ Fees received for services provided to depository institutions including check clearing, fund transfers, and automated clearinghouse operations.
NCUA	<ul style="list-style-type: none">▪ Annual fees based on the size of member institutions’ assets.▪ The NCUSIF is capitalized by member deposits of one percent of their shares, and maintained as needed by additional premiums.

Deposit Insurance

The FDIC currently insures deposits up to \$100,000 in virtually all U. S. banks and savings associations. The FDIC's role as the United States' deposit insurer promotes stability and confidence in the nation's financial institutions. Deposits are insured through two funds—the BIF for commercial banks and the SAIF for savings institutions. As part of the resolution of the savings and loan crisis of the 1980s, the SAIF was created by FIRREA in 1989 as the successor to the thrift fund previously administered by the FSLIC. Both the BIF and SAIF are capitalized by risk-weighted, semi-annual premiums collected from insured institutions. These premiums are assessed at a level that will maintain the value of the funds at a level close to 1.25 percent of the value of insured deposits. Currently, premiums range up to \$0.27 per \$100 of insured deposits, and 92.7 percent of institutions pay no premiums.

The NCUA insures deposits in credit unions up to \$100,000 through the NCUSIF, which is capitalized by members' deposits of one percent of their shares. The value of the fund is maintained within a narrow range by issuing dividends when the value exceeds 1.3 percent of insured assets, or charging additional premiums when it falls below a critical floor.

Summary

Government institutions for maintaining the stability of depository institutions, ensuring transparency in banking practices, and insuring deposits have historically grown more complex in tandem with the increasingly complex U.S. financial system. The five agencies discussed in this primer form a web of regulatory authority that may overlap with each other and with state regulators. However, in the past 25 years, strides have been made to promote uniformity in the supervision of financial institutions. One such example is the Federal Financial Institutions Examination Council formed in 1979 to prescribe uniform principles, standards, and report forms for the Federal examination of financial institutions by the OCC, OTS, FDIC, FED, and NCUA.

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We appreciate the cooperation and courtesies extended to our staff. If you have any questions, please contact me at (202) 927-5400, or Adam Silverman, Director, Office of Evaluations, at (202) 927-5766.

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Appendix 1
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