

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE: August 25, 1934.

TO Mr. Eccles
FROM Mr. Edmiston

Re: The Federal Reserve Board's control over
the Governors of the Federal Reserve Banks.

It is somewhat surprising in view of the unquestionable importance of the Governors of the several Federal Reserve Banks in their positions as the administrative officers of the banks that there is not more in the Federal Reserve Act which would legally define their rights and duties. The Governors are appointed by the boards of directors of the various Federal Reserve Banks which have the power under the law to "appoint such officers and employees as are not otherwise provided for in this Act, to define their duties, require bonds of them and fix the penalty thereof and to dismiss at pleasure such officers or employees." Evidently the Governors would come under this section of the law for there is nothing specifically relating to them elsewhere. It would appear that the Governors are not appointed for a definite term and that once appointed they would only be dismissed by action of the boards of directors of the individual Federal Reserve Banks, except the Federal Reserve Board has the power to suspend or remove any officer or director of any Federal Reserve Bank, the cause of such removal to be forthwith communicated in writing by the Federal Reserve Board to the removed officer or director of said bank. However, this provision is one that would not ordinarily be used except for some very unusual type of offense committed by an officer or director of a Federal Reserve Bank.

The situation is different in the case of salaries of the Governors. Here the Federal Reserve Act is specific in providing that "compensation granted by the boards of directors of the Federal Reserve Banks for directors, officers or employees shall be subject to the approval of the Federal Reserve Board." This would seem to mean that the Federal Reserve Board could at its discretion change any compensation which is now being paid to officials of the individual Federal Reserve Banks.

So far as the Federal Reserve agent is concerned the law is specific in defining his term and in providing for the direct control by the Federal Reserve Board of practically all his activities.