

It is assumed for the purpose of this memorandum that the Board would consist of seven appointed members, without any ex officio members, but with a Governor and a Vice Governor as at present. It is also assumed that substantially the proposed Banking Act of 1955 would become law and responsibility would be more definitely fixed upon the Federal Reserve Board especially for open market policies.

Governor and Vice Governor

The Governor would be the Chairman of the Board and Chairman of the Board's Executive Committee. As the law provides, he would be the Board's active executive officer and, under the by-laws, he would have supervision of the Board's staff. By reason of the Board's more definitely fixed responsibility for open market policy he would concentrate very largely on that subject together with the discount rates of Federal reserve banks and the requirements as to reserves of member banks. He would give attention to the foreign relations of the Federal reserve banks; and also to the general relations of the Board with the Federal reserve banks.

Since the Vice Governor must be in position to act in the absence of the Governor he would devote his time and special thought to these subjects so that he could be always ready to assist the Governor in these matters and to function in his absence.

The other members of the Board naturally also would wish to make themselves conversant with these problems.

The increased power and responsibilities of the Federal reserve banks and the Federal Reserve Board in these and other matters, together with the rapidly growing public interest in the

manner in which the Federal reserve system functions, indicate the desirability of close personal familiarity on the part of the entire Board with the problems and management of each of the Federal reserve banks and therefore that every member of the Board should devote a substantial part of his time to visiting the various Federal reserve banks and meeting with their boards of directors and executive officers.

All other matters requiring Board action would be distributed among the remaining five Board members. However, allowance must be made for the fact that there would be an additional appointment to be made of a person whose particular training and experience cannot be taken into consideration at this time but which might cause some alterations in the distribution of the work because of any special qualifications or background that he might have. However, the attempt has been made to group for each member subjects which are fairly related to each other.

On this basis the distribution of subjects among these five members would be as follows:

Member A

1. Interest on deposits of member banks.
2. Loans, discounts and investments of member banks.
3. Loans and discounts of Federal reserve banks.
4. Issuance and redemption of Federal reserve notes and Federal reserve bank notes by Federal reserve banks.
5. Settlement fund of Federal reserve banks.

Member B

1. Interlocking directorates and other relations subject to Clayton Act and Section 32 of the Banking Act of 1933.
2. Outside business and other connections of directors, officers and employees of Federal reserve banks.
3. Removal of directors, officers and employees of Federal reserve banks and member banks.
4. Extension and maintenance of credit by brokers, dealers, banks and others for purchasing or carrying securities.
5. Disposition of criminal violations of law.

Member C

1. Salaries and other expenditures at Federal reserve banks, fiscal agency and other services performed by Federal reserve banks for others, and reimbursement therefor.
2. Establishment and discontinuance of branches and agencies of Federal reserve banks.
3. Clearing accounts and other privileges at Federal reserve banks for non-member banks.
4. Examinations of Federal reserve banks by Federal Reserve Board.

Member D

1. Federal Reserve Board Building.
2. Research and statistical activities of Federal reserve system.
3. Monthly summary of business conditions, Federal Reserve Bulletin, and Annual Reports.
4. Periodical reports of condition of State member banks and their affiliates and special periodical reports of reporting member banks.
5. Classification of member banks into groups for election of Class "A" and Class "B" directors.

Directors +
Members of Banks
+ F.R. Banks
+ Stock Loans
+ margins
Prosecutors
+ warnings
Salaries and
Expenses of
Banks
Branches of
F.R. Banks
non-member
privileges
Claims of
F.R. Banks

Redg -
Research
+ reports

"A" & "B"
directors

Member E

- Memberships,
examination,
capital, mergers,
powers.*
- Permits*
- Foreign banking
private
banks*
1. Admission to and termination of membership in Federal reserve system.
 2. Establishment of branches, mergers and consolidations, adjustments of capital structure, trust powers, examinations, etc. of member banks.
 3. Voting permits.
 4. Institutions engaged in international and foreign banking subject to sections 25 and 25A of Federal Reserve Act; private bankers subject to section 21 of Banking Act of 1935; and examinations thereof.

Under the Board's present procedure recommendations as to the Board's appointments of directors of Federal reserve banks and their branches are handled by the Board's district committees. The Banking Act of 1935 would make the appointments of Governors and Vice Governors of Federal reserve banks subject to the Board's approval. The Governors would become Class C directors and the Vice Governors might be appointed Class C directors. The question would therefore arise as to the procedure that should be followed in these matters in future.

If the district committees are to be retained it is suggested that consideration be given to the desirability of making them one-man committees and that they should give attention to matters which are peculiar to the districts assigned to them and are not embraced within the duties otherwise assigned to the individual members of the Board.