1961

FEDERAL RESERVE BANK OF RICHMOND

BRANCHES IN BALTIMORE AND CHARLOTTE

FEDERAL RESERVE BANK OF RICHMOND

TO THE MEMBER BANKS:

We are pleased to present the Annual Report of the Federal Reserve Bank of Richmond for the year 1961. This year's report features the role of the head office and branch directors in the operation of the Federal Reserve Banks and their contribution to the functioning of the nation's economy. Since Class A and Class B directors are selected by member banks, we believe the story of their duties and functions will be of interest to you. In addition, the report contains a summary of Fifth District operations, a current list of officers and directors, and comparative financial statements.

On behalf of the directors and staff, we wish to express our appreciation for your cooperation and support throughout the year.

Very truly yours,

Alonzo G. Decker, Jr.
Chairman of the Board.

Edw. A. Wayne
President.

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FEDERAL RESERVE BANK DIRECTORS

"[They] shall act primarily in the public interest and [their] motives and conduct shall be so absolutely well-known and above suspicion as to inspire unquestioning confidence on the part of the community."

"[They] are men of stature and ability—men who are dedicated to the public welfare. Their decisions are made without bias or self-interest of any group. And I can say from my personal experience that there is no consideration other than for the country as a whole."

The wording of these two statements is different, yet the ideas expressed in each are substantially the same. The significance of this similarity lies in the fact that these statements were separated by some forty-seven years. The first appears in House Report No. 69 of the Sixty-third Congress. The time—1913. The subject—the soon-to-be-established Federal Reserve Banks. The second is part of a statement by the president of a Federal Reserve Bank to a sub-committee of the Banking and Currency Committee of the House of Representatives. The time—1960. The subject—the directors of a Federal Reserve Bank.

The first statement embodies the hopes and aspirations which Congress had for the new central banking system it was establishing—the second eloquently describes the spirit and character of the men who have helped guide and direct an important part of that system—the Federal Reserve Banks and their branches—during the years which have followed.

The ensuing years have seen the Federal Reserve Banks develop from the intangible framework outlined in the pages of the Federal Reserve Act into the flesh and blood of 20,000 employees of the 12 Banks and their 24 branches and the steel and concrete buildings which house them. They have seen the functions which the Act so drily calls upon the Reserve Banks to perform brought to life and become an active and indispensable means through which the economy of the nation operates—through the services performed by the Banks in acting as the Government's principal fiscal agents, collecting for the public over four billion checks annually, serving as the channels through which practically all currency and coin moves into or out of circulation, and issuing Federal Reserve notes, which account for approximately 85 per cent of the nation's "pocket money." The years following have also seen the Reserve Banks carry out their more basic purposes under the Federal Reserve Act—making loans to member banks and supervising and examining State member banks—and help to accomplish its broader objective—that of regulating the flow of money and credit in order to promote economic stability and growth. These years have also brought a gradual increase in public knowledge and understanding of the purposes and functions of the Federal Reserve Banks and of the System.

The accomplishments and continuing development of what began as a new and untried experiment are a tribute to the directors of these institutions. What is the role of these "men of stature and ability . . . dedicated to the public welfare" who help give reality and substance to the ideal expressed by Congress nearly half a century ago—who contribute to whatever success the Banks and the System have in maintaining the "unquestioning confidence of the community"? What qualifications must they have and how are they elected? How long do they serve and what are their duties?

The Federal Reserve Act furnishes the answers to some of these questions, and publications of the Reserve Banks and the Board of Governors answer such questions as "Who are the current directors of each Federal Reserve Bank?" "Where do they live?" "What are their occupations?" None of these sources, however, answers the broader questions involving why men of talent and ability who have made their marks in their own fields accept the time and energy consuming jobs of being Federal Reserve Bank directors. Nor do they indicate the significance of their service as directors.

To find the answers to these more general questions and to appreciate the significance of answers to the specific questions, it is necessary first to have some understanding of the framework of the Federal Reserve System and the basic concepts underlying its establishment. The regional structure on which Congress built the System and the inherent public nature of the Federal Reserve Banks dictate the tenor of every law and ruling relating to Federal Reserve Bank directors.

STRUCTURE OF THE FEDERAL RESERVE SYSTEM

Congress, in framing the Federal Reserve Act, was faced first with the problem of designing a central banking system which would meet the credit and monetary needs of a large, diversified, and complex economy. It settled upon a regional system with national coordination of policy rather than a central institution such as had been established in older countries.

It was then faced with the questions of form and control of the regional system. The simpler of these was the question of form and, in keeping with the business practices of the day, the regional Federal Reserve Banks were set up as corporations. A more difficult problem was that of constituting control and management of the system in a way which would generate absolute confidence and at the same time satisfy the people. Some thought that the new institutions should be managed by businessmen alone without any Government interference. Others felt that since the Reserve Banks would have the power to issue money, which is a Governmental function, the Government should run them. Management of a central banking institution exclusively by the Government, however, was thought too likely to carry with it control for partisan political purposes by the administration in power. On the other hand, placing control of the new institutions exclusively in the hands of banks and businessmen would be sure to create alarm and suspicion.

Congress resolved the problem in a manner consistent with the theory of separation of powers and the system of checks and balances which had become characteristic of the nation. First, it made the new system responsible to the Congress rather than the President. Second, it created an organization in which Government representatives would have final authority over matters of national policy but in which the day-to-day operations would be largely conducted by the regional Banks and in which private individuals would participate.

The central banking system which has evolved from the exposition of these principles in the Federal Reserve Act is composed of the **Board of Governors of the Federal Reserve System,** the **Federal Reserve Banks,** the **member banks,** the **Federal Open Market Committee,** and the **Federal Advisory Council.**

The Board of Governors is a Governmental body consisting of seven men appointed by the President with the advice and consent of the Senate. Board members are appointed for fourteen-year terms and are ineligible for reappointment after having served a full term (provisions designed to insulate them from partisan politics and other pressures). The Board's prime function is formulating monetary policy and supervising its execution. More particularly, it has authority to change reserve requirements within limits set by Congress; it reviews and determines the discount rate established by the individual Reserve Banks and is required to establish maximum interest rates which member banks may pay on time deposits. It represents the System in relations with the Federal Government and exercises special supervision over the foreign contacts and international operations of the Reserve Banks. It directs the bank examination work of the Federal Reserve Banks, coordinates System economic research and data collection, and reviews all System publications. In addition, the Board supervises Reserve Bank operations, examines each Reserve Bank and its branches annually, and its approval is necessary for the appointment of the president and first vice president of each Reserve Bank.

The Federal Reserve Banks, each a separate corporate entity, were established by Congress as the System's operating arms—the means through which the day-to-day operations of the System are conducted. In order that all parts of the United States might have convenient access to the Reserve System, Congress specified that the Reserve Banks should be located in different sections of the country, with the result that the country has been divided into twelve Federal Reserve districts—each with a Federal Reserve Bank. There are now also twenty-four branches of these Banks serving particular areas within the districts.

The Reserve Banks hold the cash reserves of their member banks, provide checking accounts for the Treasury, issue Federal Reserve note currency, collect checks, supervise and examine member banks, handle the issuance and redemption of Government securities, and act in other ways as fiscal agent for the Government. The Federal Reserve Banks are primarily concerned with serving the public interest. They do not operate to make a profit although they do operate with regard to efficient management. Their earnings—after provision for operating and other expenses and the payment of dividends on their stock as fixed by law—are paid to the U. S. Treasury.

The member banks of the System number more than 6,000 of the privately owned commercial banks in the country. All national banks are required to be members and qualified State-chartered banks may become members. Most of the larger State-chartered banks are members of the System. Member banks must subscribe to the capital stock of their Reserve Bank in an amount equal to 6 per cent of their own capital and surplus (only half of this is paid-in—the other half is subject to call). They must comply with reserve requirements and with regulations governing branch banking, check collection, and other banking matters. In return they have the privileges of borrowing under certain conditions from the district Reserve Bank; of using System facilities for collecting checks, settling balances, and transferring funds to other cities; and of obtaining currency and coin as needed. They receive a dividend of 6 per cent annually on their Federal Reserve Bank stock and vote in the election of six of the nine directors of the district Federal Reserve Bank.

The Federal Open Market Committee, the System's most important policy-making body, is composed of the seven members of the Board of Governors and five presidents of the Federal Reserve Banks. The presidents serve as members in rotation except for the President of the New York Reserve Bank, who is a permanent member of the Committee. The Committee's main responsibility is the establishment of System open market policy—the extent to which the System buys and sells Government and other securities. Such purchases and sales of securities directly affect the volume of member bank reserves and, consequently, the over-all cost and availability of credit.

The Federal Advisory Council is composed of twelve members, one from each Federal Reserve District, who are elected annually by the board of directors of the Federal Reserve Banks of their districts. The Council meets in Washington at least four times a year and advises the Board of Governors on important current developments in business and banking.

The Federal Reserve System thus includes within its framework both the purely Governmental—the Board of Governors, and the purely private—the member banks. Linking these two components are the Federal Reserve Banks. While Congress clearly established the Reserve Banks as public institutions, it provided at the same time that they should be the means for attracting and binding to the System the support of its private element, the nation's commercial banks.

It accomplished this by tying the member banks to the Reserve Banks through the requirement that each member bank subscribe to a fixed amount of capital stock of its Federal Reserve Bank and by providing that the member banks in each district might elect six of the nine directors of its Reserve Bank, the other three being appointed by the Board of Governors.

As a check against the possibility of any undue influence over the Reserve Banks which might arise from this arrangement, Congress provided that, while the directors of the Banks would supervise and control them and perform the usual duties of directors of banking institutions, the Board of Governors would have general supervision over them. In addition, the six member-bank-elected directors of each Reserve Bank were divided into two groups and a rather detailed method provided for their election.

Finally, limitations were placed on the rights which would accrue to member banks through their ownership of Federal Reserve Bank stock. Ownership of such stock carries with it no claim upon the earnings of the Reserve Banks beyond the cumulative dividend provided by law. The stock cannot be transferred or hypothecated and, regardless of the number of shares it holds, each member bank has but one vote in the election of directors of its Federal Reserve Bank. A member bank may not vary the amount of its holdings of Reserve Bank stock except as the amount of its own capital and surplus changes. Thus, it cannot purchase additional stock in order to increase its earnings or to increase its influence over the management of the Reserve Bank. Conversely, it cannot reduce its required holdings in order to release funds for more profitable use. From the point of view of the member bank, ownership of stock in a Federal Reserve Bank is more in the nature of a compulsory participation in a public enterprise than an investment acquired for control or income purposes.

THE BOARD OF DIRECTORS

Just as the Federal Reserve System as a whole was organized on the principle of separation of powers and provision for checks and balances, so too were the boards of directors of the individual Federal Reserve Banks organized.

The Federal Reserve Act groups the nine directors of each Reserve Bank into three classes—A, B, and C—of three members each. The term of office of each of the nine directors is three years, with the term of one member of each class expiring each year. A director has no authority to continue to serve after his term expires even though his successor has not been elected or appointed.

Class A consists of three directors chosen by and representative of the stockholding banks. These directors are usually officers or directors of member banks, although this is not required. The Federal Reserve Act sets forth no residential qualifications for them, but the Board of Governors has decided that in order to be truly representative Class A directors must be residents of the Federal Reserve district from which they are elected.

Class B consists of three directors chosen by the member banks who at the time of their election are actively engaged in their district in agriculture, commerce, or some other industrial pursuit. They may not be an officer, director, or employee of any bank but may be a stockholder.

Class C consists of three directors appointed by the Board of Governors of the Federal Reserve System. They must have been residents of the district from which they are appointed for at least two years. They may be neither an officer, a director, an employee, nor a stockholder of any bank.

No other qualifications for directors are specifically set forth in the Federal Reserve Act and the only persons prohibited by the Act from serving as directors are members of Congress, who are likewise prohibited from serving as members of the Board of Governors or as officers of Federal Reserve Banks. The principle which Congress had in mind in adopting this prohibition, together with the nature of the Reserve Banks as public institutions, has brought about in practice, however, a most significant qualification which Reserve Bank directors must meet.

The Board of Governors early recognized that in view of the status of the Reserve Banks as public institutions, performing essential functions of a public nature, no situation which might be interpreted as associating them with any political party or political activity should be permitted to exist. Accordingly, in 1915 it adopted a resolution that "persons holding political or public office in the service of the United States, or of any State, Territory, county, district, political subdivision, or municipality thereof, or acting as members of political party committees, cannot consistently with the spirit and underlying principles of the Federal Reserve Act, serve as directors or officers of Federal Reserve Banks."

The Board has prescribed as a condition of eligibility that candidates for election as directors of the Reserve Banks must comply with the terms of this resolution. Consequently, candidates may be required to resign a political or public office if retention of the office while a candidate might tend to associate the Reserve Bank in the public mind with political activities. Directors, as well as officers and employees, of Federal Reserve Banks are, however, free to render public service of a nonpolitical character so long as the positions do not interfere with Bank duties and are free from political activities.

On the other side of the picture, the Board of Governors has attempted to prevent the Federal Reserve System from being identified with private interests. Thus, while the Board of Governors does not assume any jurisdiction over the business affiliations of directors, except insofar as they may affect the qualifications prescribed in the Act, directors of Federal Reserve Banks and their branches may not use references to their directorships for the purpose of advertising or promoting private business connections. Any failure or neglect on the part of a director to prevent or stop reference to his official position in advertisements of a private business is considered by the Board of Governors sufficient cause for calling upon him to sever his connection either with the business advertised or with the Reserve Bank.

CHAIRMAN OF THE BOARD OF DIRECTORS

The chairman of the board of directors of a private business corporation is generally elected by the other directors. In the Federal Reserve System, however, the Board of Governors designates the Chairman of the Board of each Federal Reserve Bank annually from among its appointees to the board of directors (the Class C directors). Another Class C director is designated by the Board of Governors as Deputy Chairman and, in the absence of both of these directors, the third Class C director acts as chairman. Also unlike the situation in many private business corporations where the chairman of the board may be the chief executive or operating officer, the Chairman of the Board of a Reserve Bank as such has no operating duties, the President being the chief executive officer of each Bank.

The Chairman of the Board of a Reserve Bank is also designated by the Board of Governors as Federal Reserve Agent. In this capacity as well as that of Chairman he has a special relationship to the Board of Governors. He is required by law to maintain a local office of the Board of Governors on the premises of the Bank, to act as its official representative, and to make regular reports to the Board of Governors, including reports of any undue use of Reserve Bank credit by member banks.

As Federal Reserve Agent he supervises and has ultimate responsibility for the issuance and retirement of Federal Reserve notes and the collateral pledged to secure them. In addition, he must report to the Board of Governors any cases of unsafe or unsound banking practices on the part of member bank officers and directors.

As Chairman of the Board he presides at all meetings of the board of directors and supervises, through the directors' Committee on Auditing, the work of the General Auditor of the Bank. In this connection,

he must review the report of examination of the Federal Reserve Bank which is made annually by examiners of the Board of Governors. The Chairman is also responsible for conducting the nomination and election of Class A and B directors.

The Chairman and the Board of Governors have a mutual obligation to inform each other of matters of importance which should be considered by the board of directors and, as one means of accomplishing this, a Conference of Chairmen of the Reserve Banks has been formed which meets from time to time with the Board of Governors.

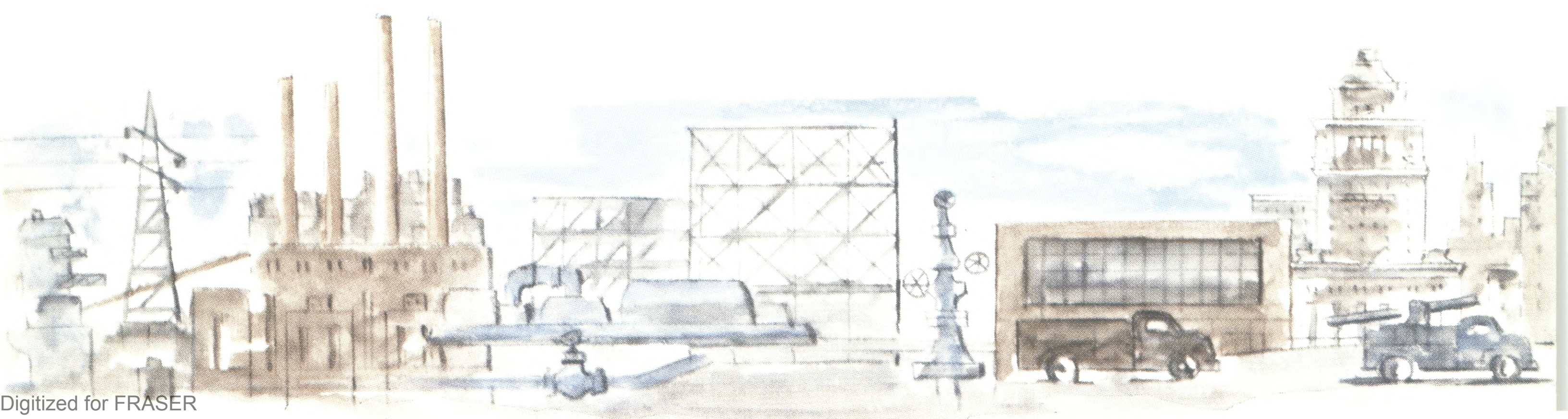
ROTATION OF DIRECTORS

A broad cross section of the public has generally been represented on the boards of directors of all the Reserve Banks. This stems from two factors—first, the Board of Governors' views regarding the desirability of rotating memberships on the boards and, second, an awareness by member banks of the public nature of the Reserve Banks and recognition by them of the wisdom of the Board's views on rotation.

Since the Federal Reserve Banks are public institutions operated in the public interest and not for private profit, the Board of Governors has always felt that a certain degree of rotation in the membership of the directorates of the Federal Reserve Banks and branches is desirable in order to give the System the advantages of broader representation over a period of time and help insure against a possible crystalization of the influence of particular individuals or groups. The Board therefore follows a policy of not reappointing Class C directors after they have served two full terms of three years each. An exception is made, however, when a director who has served all or a part of two terms as a director is then designated by the Board as Chairman and Federal Reserve Agent. In such a case the director may serve another three-year term, for a total of not more than three full terms as a director.

The Board has expressed the hope that a similar policy would be followed by member banks in the election of Class A and B directors. As a consequence of this the member banks in most districts have voluntarily adopted procedures under which Class A and B directors are elected on a rotating basis substantially similar to the Board's policy regarding Class C directors.

In the Fifth Federal Reserve District, for instance, a committee composed of representatives from member banks in each state in the District (including the District of Columbia) several years ago agreed upon a schedule under which Class A directors would serve for only one term and Class B directors would serve for two terms. The plan provides also for the rotation of the Class A and B directorships among the several states in the District and, to the extent possible, for the representation of each state on the board of the Fifth District Reserve Bank by at least one Class A or B director each year.



NOMINATION AND ELECTION OF DIRECTORS

In setting up checks and balances to guard against any possible undue influence over the Reserve Banks, Congress not only divided the boards of directors into three classes but also designed a plan to insure fair representation of both large and small member banks in the election of the six Class A and B directors.

CLASSIFICATION OF MEMBER BANKS FOR ELECTORAL PURPOSES

The Federal Reserve Act requires the Board of Governors to group the member banks of each district into three general divisions which are designated by number, with each group consisting as nearly as possible of banks of similar capitalization. Generally, Group 1 contains the largest banks of the district but has the fewest number of banks of any of the groups. Group 2, composed of the middle-sized banks, contains around a third of the number of member banks in the district, and Group 3 consists of the smaller banks.

Any one member bank in a group can participate in the election of only two of the six elected directors—one Class A director and one Class B director—and has but one vote for each. The group classification therefore prevents the more numerous smaller banks from electing all six of the Class A and B directors and assures substantially equal representation of banks of differing size. This classification and the fact that each bank has only one vote, regardless of the number of shares of Reserve Bank stock it holds, also prevent a concentration of voting power in the hands of a few larger banks. In other words, while the vote of a larger bank may have a greater weight in its group in the election of the two directors for whom it is entitled to vote than the vote of a smaller bank in its group (because of the fewer number of banks in the larger bank's group), there is nevertheless an equality of voting power within a group and between groups.

To further remove the possibility of domination of the boards of directors by a particular group of banks, the Federal Reserve Act provides that no officer or director of a member bank is eligible to serve as a Class A director unless he is nominated and elected by banks which are members of the same group as the bank of which he is an officer or director. In addition, a person who is an officer or director of more than one member bank is not eligible for nomination as a Class A director except by banks in the same group as the bank having the largest aggregate resources of any of those of which he is an officer or director.

Similarly, if two or more member banks in the same Federal Reserve district are affiliated with the same holding company affiliate, only one of these member banks in any one group may participate in the nomination and election of Class A or B directors. If a holding company affiliate is itself a member bank which controls other member banks in its own group, only one of the banks, including the holding company affiliate, may participate in the nomination and election of directors by the banks in that group.

In late summer or early fall of every year the Chairman of the Board of Directors of each Reserve Bank advises the member banks in his District by letter of the coming election of a Class A and a Class B director to succeed the directors whose terms will expire at the end of the year. Nominations are requested from the banks in the group or groups entitled to vote in the particular election, and a time limit, generally a month or so, is set for the submission of nominations.

A member bank may nominate a candidate for election as a Class A or B director simply by having its board of directors pass a resolution nominating the person of its choice and authorizing one of its officers to certify the name of the candidate to the Chairman of the Board of its Reserve Bank. The form which must be used in certifying nominations is furnished by the Chairman only to those banks entitled to vote in the particular election.

The nomination process itself is thus a simple one. At the same time, however, the nature of the Federal Reserve Banks as important parts of the nation's central banking system places upon member banks a responsibility for nominating as candidates only those persons who have evidenced an ability to contribute actively and intelligently to the efficient direction of institutions dedicated to serving the public interest. The continued development of the Reserve Banks and their increasing usefulness to the public over the years is evidence that member banks have generally recognized and met this responsibility.

The manner in which the banks in the several Federal Reserve districts have recognized this responsibility as a practical matter through the nomination and election process differs, however. In some districts, including the Fifth District, member banks have formed nominating committees whose purpose is to set up a list of candidates. In other districts, committees of state bankers associations suggest candidates.

The Fifth District nomination plan was set up by the Committee which designed the plan for rotating Class A and B directors. In practice it works in the following manner. Each year the member banks from each state in the District select a representative to meet with a representative of the member banks of each of the other states as a Committee on Recommendations for Directors of the Federal Reserve Bank. The selection of these representatives is generally made at a meeting held during the annual meeting of each state's bankers association. Several weeks before the Chairman of the Reserve Bank requests nominations from member banks the Committee meets to consider the particular persons it will recommend as candidates, giving due regard to the provisions of the agreed-upon plan regarding length of service of Class A and B directors and the rotation of these directorships among the several states.

A few days before the Chairman of the Reserve Bank requests nominations, the Committee sends to all member banks in the District a letter telling them the names of the persons it recommends for nomination and furnishes the banks a biographical sketch of the proposed candidates. While compliance with this plan is purely voluntary on the part of the member banks and they remain free to nominate someone else, the Committee's recommendations have been followed without exception during the several years the present plan has been in effect.

THE ELECTION

Shortly after the date set for the nominations to be closed the Chairman of the Reserve Bank advises all member banks in his District of the dates during which the election will be held and furnishes them a list of the candidates nominated, the banks nominating them, and a biographical sketch of each candidate. The names of the nominees and those making nominations may not be divulged prior to the publication of this list. A member bank entitled to vote in the election does so by certifying to the Chairman of the Reserve Bank on a ballot furnished by him its first, second, and other choices for director of the class its group is electing. However, it cannot vote more than one choice for any one candidate. The certification is made by the bank's president, cashier, or some other officer authorized by resolution of its board or by amendment to its bylaws to cast the bank's vote.

The ballot, when marked, is placed in an envelope on which appears only the words "BALLOT—Class A Director's Election" or "BALLOT—Class B Director's Election," as the case may be, and the envelope sealed. The sealed envelope is then placed within another envelope on which is printed a certification form for execution by the authorized officer. This envelope is then sealed and mailed to the Chairman of the Board of the Reserve Bank.

When received by the Chairman the certificate envelope, before being opened, is checked against the authorization previously filed by each member bank with the Chairman. If signed by a properly authorized officer, the certificate envelope is opened and the sealed envelope within it containing the ballot is then deposited in a locked ballot box. If there is some defect apparent in the certification, however, that envelope and the envelope within it containing the ballot are returned to the bank with a notice of the defect. In such a case the bank may then submit the ballot again upon curing the defect in its certification.

With the closing of the polls, the ballot box is opened and the ballots counted by tellers appointed by the Chairman of the Board. The candidates are invited to be present or represented if they wish. An immediate report of the results of the election is made by the Chairman to member banks and to the public.

While the election of Class A and B directors is in process, the Board of Governors is quietly searching for men of standing in their communities who are willing, out of a sense of community and public responsibility, to serve as Class C directors. Before the end of the year, member banks will receive notice from the Chairman of the Board of their Federal Reserve Bank of the appointment by the Board of Governors of a Class C director to succeed the director whose term is expiring.

The new directors of each class will execute oaths of office and, with the first meeting of the board of their Reserve Bank held after the first of the year, embark upon their service as a Federal Reserve Bank director.

FUNCTIONS OF DIRECTORS

A rough outline of the agenda of the first meeting of the board of directors attended by a new Federal Reserve director might resemble the following:

Approval of minutes of previous meeting.
Approval of minutes of meeting of Executive Committee.
Report of Discount Committee.
Report of Committee on Auditing.
Review of budget experience.
Reports from branches.
Administrative matters.
Recess.
Review of current and prospective economic conditions.
Policy considerations.
Discussion.
Establishment of discount rate.
Adjourn.

The first part of this agenda would indicate that the functions and responsibilities of a Reserve Bank director are similar to those of the director of any business corporation—as indeed they are in many respects.

Reserve Bank directors prescribe the bylaws under which the Bank's general business is conducted and the privileges granted it are exercised. They are responsible for the general conduct of the Bank's affairs, which the law requires them to administer "fairly and impartially and without discrimination in favor of or against any member bank or banks." The primary responsibility for the management policies at each Bank therefore rests upon its directors, although certain actions are subject to review by the Board of Governors.

A look at the second part of the agenda gives a hint of the material differences between the responsibilities of Reserve Bank directors and those of private business corporations. This distinction is inherent in the public nature of the Federal Reserve Banks as the regional arms of the nation's central banking system. It is evidenced by the Board of Governors' 1915 resolution regarding the holding of political or public office by directors or officers of Federal Reserve Banks. The principle expressed in this resolution has led to the establishment of a tradition that in accepting a directorship an individual puts aside the narrow interest of any one group and serves the public generally.

Within the context of this public stewardship, however, a Reserve Bank director can still contribute the benefit of his experience in his own field of competence. For instance, Class A directors, who are generally bankers, may impart their specialized professional experience and advice in connection with the improvement of technical operations and the overseeing and management of banking functions performed by the Reserve Banks. The management experience of the directors of all three classes can be an invaluable aid in improving the efficient operation and management of the Reserve Banks. The directors' experience and advice are important also as aids in judging the impact of broad policy decisions affecting the supply and cost of money and credit, and their knowledge of local conditions can provide valuable economic information necessary in making such decisions. At the same time their standing in their communities helps widen public understanding of the System's functions and the purposes of its policy actions.

A review of some of the items which appear on the agenda of a board meeting may provide a more complete picture of the functions of Reserve Bank directors.

REPORT OF DISCOUNT COMMITTEE

To a commercial bank one of the most important advantages of Federal Reserve membership is that of obtaining additional reserves on occasion by borrowing from its Federal Reserve Bank. The Reserve Bank, however, is under no automatic obligation to grant credit to a member bank applying for a loan. To the contrary, the System's responsibilities for furthering the maintenance of sound credit conditions in the nation and for providing an ultimate source of liquidity for the entire banking system require the Reserve Banks to examine carefully individual cases of member bank borrowings. In considering such borrowings, the Reserve Banks must bear in mind the requirement of the Federal Reserve Act that each Reserve Bank "keep itself informed of the general character and amount of loans and investments of its member banks with a view to ascertaining whether undue use is being made of bank credit for the speculative carrying of or trading in securities, real estate or commodities or for any other purpose inconsistent with the maintenance of sound credit conditions." A decision whether to extend credit in a particular case must, therefore, rest on the Reserve Bank's judgment concerning the member bank's need and the use to be made of the additional funds.

While the day-to-day decisions regarding the granting of credit to member banks are carried out by the Reserve Bank's officers, the Bank's directors are responsible for the conduct of these operations. As a means of fulfilling this responsibility, the directors consider at each meeting a current report by the Bank's Discount Committee regarding the operation of the "discount window."

REPORT OF COMMITTEE ON AUDITING

In conjunction with their general responsibility for supervising and controlling the Reserve Banks, the board of directors of each Bank has a special responsibility for the maintenance and supervision of an effective internal auditing system.

In each Reserve Bank there is an auditing staff which is organizationally separate from that of the Bank. The officer in charge of this staff, the General Auditor, reports directly to the Board of Directors of the Bank through the Chairman and the Committee on Auditing, which is composed of members of the board. The functions of the auditing staff are performed under general policies approved by the Conference of Chairmen of Federal Reserve Banks and by the Board of Governors. The manner in which the auditing function is carried out is reviewed by the Board of Governors' examiners in their annual examination of each Reserve Bank. Copies of the reports of the General Auditor are furnished to the Board of Governors as a further aid in the discharge of its responsibility for general supervision of the Reserve Banks.

REVIEW OF BUDGET EXPERIENCE

While the Reserve Banks do not operate for a profit, they are operated with regard to efficient management. Primary responsibility for their economical and efficient operation rests with the directors of each Bank.

The directors' responsibilities in this area are of particular importance in view of the fact the Federal Reserve Banks do not operate on appropriated funds and Congress has placed no specific restriction on their expenditures except a provision in the Federal Reserve Act that they may incur only "necessary expenses." The directors therefore have a distinct duty to see that expenses are fully justified in relation to the functions the Reserve Banks perform under the Federal Reserve Act.

As a means of meeting this responsibility, the System's budgetary procedure provides that each Bank's annual budget be approved by the directors before it is submitted to the Board of Governors for consideration. After the budget has been finally approved, the directors check frequently during the year to see how closely actual performance compares with budget estimates. Shortly after the first of the year, the president of each Bank submits to his directors an experience report comparing for the whole of the previous year the budget estimates with actual expenses, together with a full explanation of any material differences. After consideration by the directors, the report is forwarded to the Board of Governors, which is also responsible for supervising the expenditures of the Banks.

In this area of expenditure control, the directors have a specific responsibility for fixing the salaries of all officers and for approving compensation paid all employees of the Banks.

REPORTS FROM BRANCHES

Federal Reserve branches are operated under the supervision of branch boards of directors; however, a branch has no corporate identity separate from that of its Reserve Bank and its operations are those of the Reserve Bank. The responsibility of the Bank's directors therefore includes general responsibility for supervising its branches.

A majority of the directors of each branch are appointed by the directors of the head office and the remainder by the Board of Governors. The directors' branch responsibilities thus include also responsibility for appointing as branch directors men who are leaders in their communities and who will bring to the branches the benefit and good judgment of tested experience. Similarly, they are responsible for assigning to the branches officers who are not only capable but who will reflect credit upon the Bank and the Federal Reserve System. The manner in which these responsibilities are met is an important factor in determining the extent to which the regional principle which prevailed in the establishment of the Federal Reserve System is carried out.

The "Reports from branches" item may be a report by the president of the Bank, the officer in charge of the branch, or a branch director—or all three. In addition to information regarding the operations of the branch, the report will probably include significant economic and banking developments in the branch territory.

As a further aid in meeting their branch responsibilities some of the Reserve Banks hold occasional joint meetings with their branch boards either at the head office or at the branches, and invite branch directors to attend meetings of the head office board on an individual basis.

ADMINISTRATIVE MATTERS

Under this heading the directors may consider a host of matters related to the general management of the Bank, many of which are like those considered by directors of private corporations. Among the more important of these is the appointment of all officers of the Bank, including those at the branches, and passing upon promotions or changes in official personnel.

By reason of their traditional standing and strategic location in business and financial centers, the Reserve Banks are in a position to exercise an important influence both through their customary operations and through the dissemination of information and advice on matters of monetary and credit policy, as well as matters of purely regional interest. The Reserve Banks are likewise in a position to make valuable contributions to the formulation of System policies and the effective application of such policies in their districts and can help bring about understanding and acceptance of them in the various communities across the country. Actions taken by the Government and the Reserve System in the field of fiscal and monetary policy are of great importance to the public generally, and it is desirable that an understanding of them be as widespread as possible.

In view of these considerations, it is apparent that the directors of Reserve Banks have a continuing responsibility for seeing that the officers of the Banks are men who command respect in their communities and who furnish leadership of the kind required. The character of the operating management of the Banks is of primary importance in its daily contacts with bankers and others and in public appraisal of the quality of System administration.

The selection of the president and the first vice president of each Bank, who serve for terms of five years, is a responsibility of major importance, for the president is the chief executive officer of the Bank, and all other executive officers and all employees are directly responsible to him. In his absence the first vice president acts in his stead. The presidents of the Reserve Banks also serve from time to time as members of the Federal Open Market Committee, the System's most important policy-making body. While the selection of these and other officers and their salaries are subject to the final approval of the Board of Governors, the responsibility of wise selection and provision for adequate management succession nevertheless rests with the directors of the Banks.

ESTABLISHMENT OF DISCOUNT RATE

Included in the discussion of this item of the agenda are "Review of Current and Prospective Economic Conditions," "Policy Considerations," and "Discussion."

The discount rate is perhaps the best known of the instruments of credit policy lodged in the Reserve System and the only one with respect to which the Reserve Bank directors have any responsibility. The board of directors of each Reserve Bank is charged with establishing the discount rate of the Bank at least once every fourteen days, subject to the "review and determination" of the Board of Governors. While the Board of Governors has the final word, the Reserve Bank directors initiate changes in the rate.

The discount rate is the rate paid by member banks when they borrow from the Reserve Bank. When some restraint in credit expansion appears to be indicated, an increase in the rate would tend to discourage borrowing by making it more costly, which would in turn put pressure on the member banks to curtail their lending. When business is slack there may be a reduction in the discount rate which would tend to make credit cheaper.

In deciding what action to take with respect to the rate, the directors must be aware of what is being done with the other instruments of credit policy (open market operations, reserve requirements, and margin requirements). In these areas they are aided by recommendations of the president of the Bank, who participates in meetings of the Federal Open Market Committee, where all of the instruments are discussed. In making his recommendations, though, the president does not reveal to the directors any confidential information obtained through his participation in Committee meetings, for his responsibilities to the Committee and to his directors are separate.

In addition, the directors must be familiar with current and anticipated economic conditions, including monetary and credit developments. In view of the impact of the taxing and spending policies of the Federal Government on the economy, they must also consider developments related to the fiscal operations of the Treasury. In these areas the directors are aided at their meeting by reviews and analyses of significant factors and trends presented by the president or the Bank's economists.

When all of this information has been presented the Chairman may call upon his fellow directors for their observations and for reports of developments in their own areas or businesses. With their widespread contacts the directors are in a position to make significant contributions to the common fund of knowledge. It is only after careful consideration of all the pertinent facts obtainable that a decision is reached and the discount rate established.

The agenda indicates that the meeting is now over. But adjournment of the meeting does not mean that the directors' functions and responsibilities have been adjourned until the next meeting. Perhaps the most important function of Federal Reserve Bank directors is carried out between meetings.

The consideration of regional conditions and the adaptation of national policy to local circumstances is characteristic of the nation. In the Federal Reserve System this is achieved through the presidents and officers of the regional Reserve Banks and their boards of directors. While the direct participation of Reserve Bank directors in the determination of national policy is limited to the establishment of the discount rate of their Reserve Bank, directors can make an important indirect contribution to the formulation of the entire range of credit policy.

They can do so by making available to the presidents of their Reserve Banks current information on significant developments in their business or area and by expressing to them their impressions and opinions on economic developments and on desirable credit policy in the light of those developments. The presidents therefore have the benefit of the views of a broad cross section of the economy of their districts which they are able to utilize in developing the personal views which they present in meetings of the Federal Open Market Committee. They have also the benefit of economic information and analysis furnished by the Research Departments of the Reserve Banks.

The Open Market Committee is the chief means through which credit policy is formulated and implemented. The Committee provides a body for centralized decision-making on credit policy in which is reflected the thinking of people from all regions of the country. Here diverse viewpoints and opinions are brought together and welded into a national policy. If the formulation of System policy on such a basis is to be effective, the Board of Governors and the presidents of the Reserve Banks must have available as much current information as possible regarding economic conditions and the effect of policy in all parts of the nation.

While the Federal Reserve System's research organization is widely recognized for its experience and the reliability of its economic intelligence in terms of statistics and other factual data, the development of statistics and facts requires time—and in formulating credit policy timeliness is of the essence. When economic changes are occurring which suggest a shift in the direction or emphasis of credit policy, the time lag in statistical and fact gathering may interfere with the most effective policy formulation. It is in this area that Reserve Bank directors can play an important role. The advance information and "straws in the wind" which Reserve Bank directors with their widespread contacts can provide are an important means through which knowledge and appraisal of significant economic changes in process can be obtained. In addition to providing information on credit developments and thinking, the directors can furnish also important outlets through which an understanding of System actions may be achieved. Wider understanding makes for a more effective response to System actions.

The manner in which Reserve Bank directors fulfill their responsibilities in this area is to a large extent the measure of the value of their service to the System and to the nation.

FEDERAL RESERVE BRANCH DIRECTORS

Ten of the twelve Reserve Banks have established a total of twenty-four branches under the provisions of the Federal Reserve Act which authorize the Board of Governors to permit or require any Reserve Bank to establish branches. The Act provides that such branches shall be operated, subject to regulations of the Board of Governors, under the supervision of boards of directors consisting of not more than seven nor less than three directors, with a majority of one being appointed by the Reserve Bank and the remainder by the Board of Governors.

COMPOSITION

The Board of Governors has provided that branch boards must consist of either five or seven directors, as may be determined by the individual Reserve Bank. Three of the Reserve Banks, having a total of eight branches, have elected to have five-man branch boards of directors, while the other seven Banks have seven-man boards at their sixteen branches.

The term of office of directors of branches is three years when the branch board consists of seven members and two years when it consists of five members. The terms are so arranged that the term of one director appointed by the Board of Governors and that of at least one director appointed by the Reserve Bank expire at the end of each year.

While the Reserve Bank-appointed directors constitute a majority of the branch boards of directors, the Board of Governors has provided that the chairmen of the branch boards must be one of its appointees, although the manner of selection is left to the discretion of each Reserve Bank.

QUALIFICATIONS

The Federal Reserve Act provides no specific qualifications for branch directors, but the branch directorates have, under regulations of the Board and by practice, been constituted somewhat along the lines of the head office boards. The Board of Governors in making its appointments of branch directors selects persons who are actively engaged in agriculture, industry, commerce, or in the practice of a profession and who are not primarily engaged in banking. The Reserve Banks, on the other hand, generally appoint persons engaged in banking, although they may appoint persons engaged in other businesses. All branch directors must be citizens of the United States and residents of the branch territory, and their business interests must be primarily within the branch territory.

ROTATION

The membership of directors of branch boards is rotated in a manner similar to the Board of Governors' policy regarding rotation of Class C directors of the Reserve Banks. Both Board-appointed and Reserve Bank-appointed directors may serve consecutive terms totaling six years but are not then eligible for reappointment. However, a director who has had six years of continuous service may be reappointed after two years off the branch board when the branch board has a five-man directorate. When the branch board is composed of seven members, a director with six years of continuous service may be reappointed after three years have elapsed since such service.

FUNCTIONS

The specific duties of branch directors are essentially advisory in nature. The operations of a branch are the operations of the Reserve Bank, and the head office directors, under the general supervision of the Board of Governors, are responsible for the Bank's operations. This is not to say that branch directors serve only in an inactive or honorary capacity. Their wide experience and their knowledge of local conditions can be an invaluable aid to the Bank's directors in the operation of the branch.

Their role extends beyond advice on operational matters, however. Branch directors can, and should, play as significant a part as the head office directors in contributing indirectly to the formulation of national credit policy and to an understanding of such policy. They, no less than the directors of the Bank, can provide a valuable source of grass roots information and opinion on significant economic developments and the effects of credit policy. At the same time their close association with the System enables them to furnish a valuable link between it and the public and to further understanding of the System and its actions.

The Federal Reserve System is a complex organization whose operations affect every region, every community, every citizen in the nation. Its present organization, evolved from experience, provides for the establishment of national policy based on regional participation, in contrast to the alternative of centralized determination and administration of policy in which meaningful participation of regional representatives is absent.

The System's present processes of policy determination, implementation, and administration are thus consistent with the political, economic, and social traditions of the nation. The extent to which *"men of stature and ability . . . dedicated to the public welfare"* continue to be willing to serve the Federal Reserve System may in large measure determine whether this will continue to be true.

SUMMARY OF OPERATIONS

During 1961 the volume of operations in all departments of the Richmond Bank and its Baltimore and Charlotte Branches expanded along with the economy of the Fifth District.

Over $103 billion in checks were cleared, $3.5 billion more than in 1960; and over $151 million in coins were received and paid out, $17.6 million more than the previous year. The amount of currency handled exceeded $5 billion. Transfers of funds topped the $100 billion mark—up approximately 1% to a total of $105,202,198,215.

Our net earnings before payments to the U. S. Treasury amounted to $48 million, and member banks received $1,168,329.36 in statutory dividends during the year. Surplus account was increased $2,582,900.00 (surplus is twice paid-in capital), and the remaining net earnings of $44,327,343.00 were paid to the U. S. Treasury.

Our capital stock, based on the capital and surplus of District member banks, rose $1,291,450.00 during 1961. In the past twelve months credit totaling over $1.7 billion was extended to 112 member banks.

Publications and statistical reports of the Bank were widely distributed during the year. Over 107,000 copies of our **Monthly Review** were sent to bankers, businessmen, teachers, and other interested individuals, and approximately 220,000 System publications were distributed by our Bank. In February three exhibits of currency were made available to District member banks for display. The exhibits, along with our coin and facsimile currency displays, continued to be in great demand throughout the year.

Our annual Junior Bankers Seminar was held in April of 1961. One hundred and ninety bankers, representing 134 District member banks and branches, attended the two-day session. A similar meeting is planned for the spring of 1962.

EMERGENCY PREPAREDNESS

This program moved forward in the District on several fronts. In early spring, meetings for commercial bankers were held in each of the 46 emergency clearing group areas, providing an opportunity for explanation and discussion of the Check Agent Plan. The Treasury's Emergency Banking Regulation No. 1, with related documents, was distributed to all banks at mid-year. Arrangements were begun with selected member banks, strategically located throughout the District, to serve as cash agents for distribution of currency in an emergency; details of this plan will be in forthcoming emergency circulars. Although some commercial banks of the District embarked on emergency preparedness programs, much remains to be done in this field. At our Head Office and Branches, preparation and stocking of fallout shelters to meet civil defense standards are nearing completion.

ELECTRONICS

This year the decision was made to acquire electronic equipment for check handling and data processing. These steps are in keeping with the Bank's policy of utilizing new methods and equipment to improve internal operating procedures as well as services to member banks.

In 1961, the Federal Reserve System, with the assistance of the Stanford Research Institute, completed its evaluation of electronic check handling equipment produced by five manufacturers. The results of tests at five Federal Reserve Banks proved that the electronic processing of checks through the magnetic ink character recognition (MICR) media is both practical and economical.

The Head Office and the Baltimore and Charlotte Branches have low speed proof machine amount encoders in operation now. The Head Office will install a high speed unit, composed of several pieces of equipment, in the fall of 1962; the Branches will install high speed units early in 1963. This equipment will permit complete automation of the check handling procedure from the incoming proof to the preparation of outgoing cash letters to the banks.

For a number of years this Bank has used tabulating equipment for internal accounting procedures and for processing statistical data. A comprehensive review, conducted by a committee of officers, preceded the recent decision to acquire an IBM 1401 RAMAC data processing system as replacement for the present tabulating equipment at Richmond. In anticipation of the mid-1962 installation date, a five-man team selected from within the Bank is currently programming present punched-card procedures for conversion to the computer. Orientation and training of Bank personnel to utilize the electronic data processing system have commenced and will continue into 1962.

The study indicated that the 1401 RAMAC can process all work now performed on tabulating equipment in considerably less time and with greater flexibility. In addition, the speed and capacity of the new equipment will permit handling of a number of procedures now performed manually. Also, statistical analyses and special studies in connection with the economic research program, heretofore considered impractical because of time limits and expense, can be accommodated by the computer. These several advantages, including the ability to handle a reasonable increase in volume of present operations, will be achieved for approximately the same cost as the present system.

NEW MEMBER BANKS

Three newly formed Fifth District banks entered the Reserve System during the year. The American National Bank, Silver Spring, Maryland, with branches at Rockville and Wheaton opened for business on April 10. On August 10 the First National Bank of Laurens, Laurens, South Carolina, began banking operations, and on November 22 the Elkridge National Bank, Elkridge, Maryland, became the 428th District member bank.

CHANGES IN OFFICIAL STAFF

There were several changes in the Bank's official staff during 1961. On February 28, Hugh Leach, president of the Bank since 1936, retired and was succeeded by Edward A. Wayne, former first vice president. Aubrey N. Heflin, former vice president and general counsel, was named first vice president, succeeding Mr. Wayne. On June 1, Welford S. Farmer was elected general counsel and Victor E. Pregeant, III, was named assistant vice president and secretary.

Garnett N. Campbell retired on May 31 as assistant general auditor, and his position was assumed by Roger P. Schad. The year 1961 also saw the retirement of Vice President N. L. Armistead.

At the Charlotte Branch Robert R. Fentress, former assistant cashier, was named assistant vice president, effective July 1.

Comparative Statement of Condition

ASSETS:	December 31, 1961	December 31, 1960
Gold certificate account	$1,087,526,464.63	$1,035,163,268.08
Redemption fund for Federal Reserve notes	95,166,005.00	81,220,045.00
TOTAL GOLD CERTIFICATE RESERVES	1,182,692,469.63	1,116,383,313.08
Federal Reserve notes of other banks	40,868,860.00	42,922,520.00
Other cash	21,451,866.15	21,478,712.60
Discounts and advances	1,165,000.00	510,000.00
U. S. Government securities:		
Bills	206,976,000.00	183,566,000.00
Certificates	110,158,000.00	573,437,000.00
Notes	1,295,353,000.00	790,004,000.00
Bonds	249,280,000.00	160,963,000.00
TOTAL U. S. GOVERNMENT SECURITIES	1,861,767,000.00	1,707,970,000.00
TOTAL LOANS AND SECURITIES	1,862,932,000.00	1,708,480,000.00
Cash items in process of collection	514,301,381.09	482,195,599.14
Bank premises	5,589,901.25	6,113,204.43
Other assets	15,487,701.03	13,171,811.21
TOTAL ASSETS	$3,643,324,179.15	$3,390,745,160.46
LIABILITIES:		
Federal Reserve notes	$2,380,497,515.00	$2,185,035,255.00
Deposits:		
Member bank—reserve accounts	759,969,411.63	726,682,213.22
U. S. Treasurer—general account	49,871,083.28	24,626,957.46
Foreign	12,190,000.00	9,630,000.00
Other	6,032,204.32	6,137,511.26
TOTAL DEPOSITS	828,062,699.23	767,076,681.94
Deferred availability cash items	370,799,639.99	380,482,167.80
Other liabilities	3,752,224.93	1,813,305.72
TOTAL LIABILITIES	3,583,112,079.15	3,334,407,410.46
CAPITAL ACCOUNTS:		
Capital paid in	20,070,700.00	18,779,250.00
Surplus	40,141,400.00	37,558,500.00
Other capital accounts	....	....
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$3,643,324,179.15	$3,390,745,160.46

Contingent liability on acceptances purchased for foreign correspondents $ 5,750,000.00 $ 10,449,000.00

Comparative Statement of Earnings and Expenses

	1961	1960
EARNINGS:		
Discounts and advances	$ 152,702.60	$ 819,821.16
Interest on U. S. Government securities	59,258,665.26	68,654,176.43
Other earnings	17,151.11	31,695.62
TOTAL CURRENT EARNINGS	59,428,518.97	69,505,693.21
EXPENSES:		
Operating expenses (including depreciation on bank premises) after deducting reimbursements received for certain Fiscal Agency and other expenses	10,581,541.90	10,175,679.84
Assessments for expenses of Board of Governors	287,400.00	292,800.00
Cost of Federal Reserve currency	697,278.71	570,909.90
NET EXPENSES	11,566,220.61	11,039,389.74
CURRENT NET EARNINGS	47,862,298.36	58,466,303.47
ADDITIONS TO CURRENT NET EARNINGS:		
Profit on sales of U. S. Government securities (net)	219,353.67	153,386.87
Transferred from Reserves for contingencies (net)	————	1,178,351.32
All other	515.24	277.66
TOTAL ADDITIONS	219,868.91	1,332,015.85
DEDUCTIONS FROM CURRENT NET EARNINGS	3,594.91	3,501.91
Net Additions	216,274.00	1,328,513.94
NET EARNINGS BEFORE PAYMENTS TO U. S. TREASURY	$48,078,572.36	$59,794,817.41
Dividends paid	$ 1,168,329.36	$ 1,083,429.25
Paid U. S. Treasury (interest on Federal Reserve notes)	44,327,343.00	55,718,988.16
Transferred to surplus	2,582,900.00	2,992,400.00
TOTAL	$48,078,572.36	$59,794,817.41

SURPLUS ACCOUNT

	1961	1960
Balance at close of previous year	$37,558,500.00	$34,566,100.00
Addition account of profits for year	2,582,900.00	2,992,400.00
BALANCE AT CLOSE OF CURRENT YEAR	$40,141,400.00	$37,558,500.00

CAPITAL STOCK ACCOUNT

(Representing amount paid in, which is 50% of amount subscribed)

	1961	1960
Balance at close of previous year	$18,779,250.00	$17,283,050.00
Issued during the year	1,318,050.00	1,654,750.00
	20,097,300.00	18,937,800.00
Cancelled during the year	26,600.00	158,550.00
BALANCE AT CLOSE OF CURRENT YEAR	$20,070,700.00	$18,779,250.00

FEDERAL RESERVE BANK OF RICHMOND

DIRECTORS

Alonzo G. Decker, Jr.	Chairman of the Board and Federal Reserve Agent
Edwin Hyde	Deputy Chairman of the Board

CLASS A

H. H. Cooley	President, The Round Hill National Bank Round Hill, Virginia (Term expires December 31, 1962)
A. Scott Offutt	Chairman of the Board and President The First National Bank of Washington, Washington, D. C. (Term expires December 31, 1961) Succeeded by: J. McKenny Willis, Jr., President The Easton National Bank of Maryland Easton, Maryland (Term expires December 31, 1964)
Addison H. Reese	President, North Carolina National Bank Charlotte, North Carolina (Term expires December 31, 1963)

CLASS B

L. Vinton Hershey	President, Hagerstown Shoe Company Hagerstown, Maryland (Term expires December 31, 1961) Succeeded by: Robert Richardson Coker, President Coker's Pedigreed Seed Company Hartsville, South Carolina (Term expires December 31, 1964)
Robert E. L. Johnson	Chairman of the Board, Woodward & Lothrop, Inc. Washington, D. C. (Term expires December 31, 1963)
Raymond E. Salvati	Chairman of the Board, Island Creek Coal Company Huntington, West Virginia (Term expires December 31, 1962)

CLASS C

Alonzo G. Decker, Jr.	President, The Black & Decker Manufacturing Company Towson, Maryland (Term expires December 31, 1962)
William H. Grier	President, Rock Hill Printing & Finishing Co. Rock Hill, South Carolina (Term expires December 31, 1963)
Edwin Hyde	President, Miller & Rhoads, Inc. Richmond, Virginia (Term expires December 31, 1964)

MEMBER FEDERAL ADVISORY COUNCIL

Robert B. Hobbs	Chairman of the Board, First National Bank of Baltimore Baltimore, Maryland (Term expires December 31, 1962)

FEDERAL RESERVE BANK OF RICHMOND

OFFICERS

Edward A. Wayne
President

Aubrey N. Heflin
First Vice President

J. Gordon Dickerson, Jr.
Vice President

Welford S. Farmer
General Counsel

Donald F. Hagner
Vice President

Edmund F. Mac Donald
Vice President

Upton S. Martin
Vice President

John L. Nosker
Vice President

Joseph M. Nowlan
Vice President and Cashier

B. U. Ratchford
Vice President

James M. Slay
Vice President

Robert P. Black
Assistant Vice President

John G. Deitrick
Assistant Vice President

Stuart P. Fishburne
Assistant Vice President

H. Ernest Ford
Assistant Vice President

William B. Harrison, III
Assistant Vice President

Victor E. Pregeant, III
Assistant Vice President and Secretary

Raymond E. Sanders, Jr.
Assistant Vice President

Joseph F. Viverette
Assistant Vice President

Clifford B. Beavers
Assistant Cashier

John E. Friend
Assistant Cashier

William H. Gentry, Jr.
Assistant Cashier

John C. Horigan
Chief Examiner

Robert L. Miller
Assistant Cashier

Wythe B. Wakeham
Assistant Cashier

G. Harold Snead
General Auditor

Roger P. Schad
Assistant General Auditor

BALTIMORE BRANCH

Donald F. Hagner
Vice President

A. A. Stewart, Jr.
Cashier

B. F. Armstrong
Assistant Cashier

E. Riggs Jones, Jr.
Assistant Cashier

A. C. Wienert
Assistant Cashier

CHARLOTTE BRANCH

Edmund F. Mac Donald
Vice President

Stanhope A. Ligon
Cashier

Robert R. Fentress
Assistant Vice President

Fred C. Krueger, Jr.
Assistant Cashier

E. Clinton Mondy
Assistant Cashier

BALTIMORE BRANCH

DIRECTORS

Gordon M. Cairns	Dean of Agriculture, University of Maryland College Park, Maryland (Term expires December 31, 1962)
Harry B. Cummings	Vice President and General Manager Metal Products Division, Koppers Company, Inc. Baltimore, Maryland (Term expires December 31, 1963)
Harvey E. Emmart	Senior Vice President and Cashier, Maryland National Bank Baltimore, Maryland (Term expires December 31, 1964)
James W. McElroy	Director, First National Bank of Baltimore Baltimore, Maryland (Term expires December 31, 1962)
John T. Menzies, Jr.	President, The Crosse & Blackwell Company Baltimore, Maryland (Term expires December 31, 1961) Succeeded by: Leonard C. Crewe, Jr., President and Treasurer, Maryland Fine and Specialty Wire Company, Inc. Cockeysville, Maryland (Term expires December 31, 1964)
J. N. Shumate	President, The Farmers National Bank of Annapolis Annapolis, Maryland (Term expires December 31, 1963)
John W. Stout	President, The Parkersburg National Bank Parkersburg, West Virginia (Term expires December 31, 1961) Succeeded by: Martin Piribek, Executive Vice President The First National Bank of Morgantown Morgantown, West Virginia (Term expires December 31, 1964)

CHARLOTTE BRANCH

DIRECTORS

George H. Aull	Agricultural Economist, Clemson College Clemson, South Carolina (Term expires December 31, 1963)
J. C. Cowan, Jr.	Vice Chairman of the Board, Burlington Industries, Inc. Greensboro, North Carolina (Term expires December 31, 1962)
W. W. McEachern	President, The South Carolina National Bank Greenville, South Carolina (Term expires December 31, 1963)
G. Harold Myrick	Executive Vice President and Trust Officer First National Bank Lincolnton, North Carolina (Term expires December 31, 1962)
I. W. Stewart	Honorary Chairman of the Board North Carolina National Bank Charlotte, North Carolina (Term expires December 31, 1961) Succeeded by: Joe H. Robinson, Senior Vice President Wachovia Bank and Trust Company Charlotte, North Carolina (Term expires December 31, 1964)
Clarence P. Street	President, McDevitt & Street Co. Charlotte, North Carolina (Term expires December 31, 1964)
G. G. Watts	President The Merchants and Planters National Bank of Gaffney Gaffney, South Carolina (Term expires December 31, 1961) Succeeded by: Wallace W. Brawley, President, The Commercial National Bank of Spartanburg Spartanburg, South Carolina (Term expires December 31, 1964)


FEDERAL RESERVE BANK OF RICHMOND
FIFTH DISTRICT