A special meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Saturday, February 5, 1927, at 10:45 a.m.

PRESENT: Governor Crissinger
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. McIntosh
Mr. Eddy, Secretary

PRESENT ALSO: Mr. Gates W. McGarrah

The Governor stated that the purpose of the meeting was to discuss with Mr. McGarrah the tender which had been informally made to him by the Board's Committee on District 2 of the position of Class "C" Director, Chairman of the Board of Directors and Federal Reserve Agent at the Federal Reserve Bank of New York.

The Governor presented and had read to the Board memorandum copies of two resolutions adopted by the Board of Directors of the Federal Reserve Bank of New York on February 3, 1927, as follows:

"I, George L. Harrison, the undersigned, do hereby certify that the following is a true and correct copy of a minute adopted at the executive session of the regular meeting of the Board of Directors of the Federal Reserve Bank of New York, held on the third day of February, 1927, at which there were present the following directors - Mr. Owen D. Young, Deputy Chairman, Messrs. Samuel W. Reyburn, Jackson E. Reynolds, Delmer Runkle, Robert H. Treman and Clarence M. Woolley:

'A proposed amendment to the by-laws of this bank was presented to the meeting with the request that it be acted upon at the next succeeding meeting of the board. The proposed amendment is as follows:

'That there shall be stricken out from Section 4 of Article III (the section which defines the powers and duties of the Governor) the following words - 'and shall be chairman of the executive committee,' It was thereupon duly

'VOTED that the Secretary give due notice, as provided by the by-laws, of the proposed amendment and that it be
made a special order of business for the next succeeding meeting."

In Witness whereof, I have hereunto subscribed my name this third day of February, 1927.

(Signed) George L. Harrison
Secretary pro tern."

"I, George L. Harrison, the undersigned, do hereby certify that the following is a true and correct copy of a minute adopted at the executive session of the regular meeting of the Board of Directors of the Federal Reserve Bank of New York, held on the third day of February, 1927, at which there were present the following directors — Mr. Owen D. Young, Deputy Chairman, Messrs. Samuel W. Reyburn, Jackson E. Reynolds, Delmer Runkle, Robert H. Treman and Clarence M. Woolley:

'Subject to the adoption of the proposed amendment to Section 4 of Article III of the by-laws of this bank, it was duly voted that the following statement, defining the powers and duties and general relationship between the Chairman of the Board of Directors and the Governor of the bank, be spread upon the minutes:

'The Federal Reserve Board has informally advised the Board of Directors of the Federal Reserve Bank of New York of the intention of the Reserve Board, acting unanimously and with the express concurrence of the Secretary of the Treasury, to nominate Mr. Gates W. McCarrah of New York as Chairman of the Board of Directors of the New York Bank. The Board of Directors wishes to record its gratification at the nomination of such an experienced and distinguished banker to act as its Chairman.

'The Directors of the Federal Reserve Bank of New York consider that the resignation of Mr. Pierre Jay as Chairman brings to an end the first era in the history of the Bank. Under the leadership of Mr. Benjamin Strong as Governor and Mr. Jay as Chairman, the institution has been created; its general habits and customs of doing business established; and its organization has become seasoned and adjusted both in periods of strain, such as the war, and in periods of alternate strains and ease since the war. A new building has been erected, and from every point of view, the period of organization, initial growth and experience has been a truly marvelous performance, reflecting the greatest credit not only on the men above named, but upon their associates, the Deputy Governors,
the Assistant Federal Reserve Agent, and the heads of
departments, and broadly speaking all employees. A very
real morale has been created both of loyalty to the insti-
tution and the System and of service to the public. Dur-
ing that period there has been between all of the men en-
gaged, the most effective cooperation and the most unself-
ish and devoted effort which has accounted for the success
of the Bank, and which it is hoped may be continued through
all its life as a guaranty of the successful administration
of this great undertaking, and as a monument to its offic-
ers.

'The Board of the New York Bank believes that at the
close of this era the nomination of a man of the standing
of Mr. Gates W. McGarrah as Chairman of the Board and his
acceptance of that office will permanently set the stand-
ards for the future so that the entire financial community
will recognize that the positions of Chairman and Governor
of the Federal Reserve Bank of New York are the highest
financial positions in this Federal Reserve District.

'By way of expressing their appreciation of the action
of the Reserve Board and of Mr. McGarrah's acceptance, the
Board of Directors of the New York Bank, with the approval
of the Governor, wish to establish in this instance such
relationship between the offices of Chairman and Governor
as exists quite generally between those offices in the great
commercial banks and industrial institutions of this District,
and therefore, the Board grants to the Chairman such powers
as may be needed to accomplish that result, and the Chair-
man of the Board shall be the Chairman of the Executive
Committee.

'This grant is made supplementary to all powers which
the Chairman has under the authority of the Federal Reserve
Act and to all which have been or may be from time to time
conferred upon him by the Federal Reserve Board under the
authority of the Act. In taking this action, the New York
Board does not wish to raise any issue as to where its
authority under the law begins or ends in the matter of
delegating powers to the Chairman. Its only purpose is to
make clear that so far as the New York Board can grant them,
the Chairman shall have all the powers necessary to estab-
lish the relationship above indicated. It has been thought
wise not to specify with any particularity the powers and
duties of the two offices, and we believe that is not
generally done in other institutions, because such speci-
fications are quite likely to turn out to be limitations
rather than grants of powers.

'It is generally recognized that the Chairman, as the
presiding officer of the Board, shall be the director of such policies of the Bank as the Board of Directors may from time to time adopt with the approval of the Federal Reserve Board exercising their supervisory powers under the Act. It is also recognized that the Governor shall be the executive head of the Bank with the duty and responsibility of executing all action taken by the Board except in those specific cases where some exceptional duty is delegated to the Chairman by the Act or by the Reserve Board under the Act.

'This action is taken at this time in order that experience may be gained during the period of Mr. McGarrah's chairmanship as to how the great offices of Chairman and Governor can best function in the interest of the System in general and of this Bank in particular. At the end of the Chairmanship, or indeed during it, and in the light of such experience, such formal action can be taken, as may be needed, to establish those relationships for succeeding periods. It is apparent that such experience should be had before final action is taken, because in the case of this Bank, the Chairman is not, as in other institutions, elected by the Board, but named by the Federal Reserve Board, and it may not always happen that the choice will be, as in this case, of a man whom either board, acting independently, would have unanimously selected for that position.

'It may well be that as experience develops, the Federal Reserve Board will desire to act without being bound in any sense by this resolution or being considered to have acquiesced in it, except temporarily, until further action, and therefore, it has been passed so as not to require concurrent approval by the Federal Reserve Board or to commit it in any way even to the extent of that Board assenting to this delegation of power to their own appointee.

'The present Board of Directors does express the hope, however, that subsequent boards of the Federal Reserve Bank of New York will treat this resolution as a representation of its intent to Mr. McGarrah as to the powers and duties of Chairman, and that such powers and duties will not be changed during his term of office as Chairman without his approval and consent, and that of the Governor of the Bank.'

In witness whereof, I have hereunto subscribed my name this third day of February, 1927.

(Signed) George L. Harrison
Secretary pro tem.
rectors of the New York bank with respect to amending Section 4 of Article 3 of the by-laws of the bank would be formally submitted to the Board for its action in the course of the next few days, and that he understood the second resolution above quoted did not require action by the Board.

It was the sense of the members present that the resolution first above quoted would receive the approval of the Board when formally submitted by the directors of the Federal Reserve Bank of New York.

Then followed a discussion of the purposes of the resolutions and other matters concerning the duties of the positions of Chairman of the Board of Directors and Federal Reserve Agent, in which Mr. McGarrah participated. Mr. McGarrah stated that he thought the Board should understand, before he accepted the appointment, that he was sixty-four years of age and that it was his custom by arrangement with his associates from time to time to take trips abroad. He stated that he found these trips informing to himself and beneficial to his health, and would want to feel free to do this in the future. He added that he would, of course, never expect to absent himself except as arrangements with his senior associates were entirely satisfactory and when conditions at the bank were such that he could go with a free mind. It was called to Mr. McGarrah's attention that the Board has a ruling under which all contemplated absences by officers beyond a period of thirty days must be reported to the Board for its approval. The sense of the Board informally expressed by the members, however, was that the matter of arranging such occasional absences would present no difficulty.

Mr. James stated that in view of the resolutions above referred to
it was his opinion that the salary paid to the Chairman of the Board and Federal Reserve Agent at New York should be equal at least to that paid to the Governor of the bank, and he thereupon moved that the salary of the Chairman and Federal Reserve Agent at the Federal Reserve Bank of New York be fixed at $50,000 per annum.

Carried.

It was then moved that the Board formally appoint Mr. Gates W. McGarrah as a Class "C" Director of the Federal Reserve Bank of New York for the balance of the unexpired term ending December 31, 1928, the appointment to be effective as of May 1, 1927, and that Mr. McGarrah be designated as Chairman of the Board of Directors of the bank and Federal Reserve Agent, also effective May 1, 1927.

Carried.

It was then moved that public announcement of Mr. McGarrah's appointment as Class "C" Director of the New York bank, and his designation as Chairman of the Board of Directors and Federal Reserve Agent be made for release to the morning papers of February 10, 1927.

Carried.

It was then moved that a committee consisting of the Governor and Mr. Miller be appointed to prepare an appropriate statement for the press announcing Mr. McGarrah's appointment.

Carried.

The Governor stated he regretted that neither the Secretary of the Treasury nor Mr. Platt was able to be present at the meeting and that he wished to state for the record that both the Secretary and Mr. Platt had expressed themselves as being in hearty accord with the Board's pro-
Posal to formally tender to Mr. McGarrah the Class "C" Directorship of
the Federal Reserve Bank of New York, and to designate him as Chairman
of the Board of Directors of that institution and as Federal Reserve
Agent.

The meeting adjourned at 12:30 p.m.

Approved:

Governor

Secretary