

EX-OFFICIO MEMBERS

WILLIAM G. MCADOO
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

W. P. G. HARDING, GOVERNOR
PAUL M. WARBURG, VICE GOVERNOR
FREDERIC A. DELANO
ADOLPH C. MILLER
CHARLES S. HAMLIN

H. PARKER WILLIS, SECRETARY
SHERMAN P. ALLEN, ASST. SECRETARY
AND FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

X-840

March 25, 1918

Dear Sir:

On behalf of the Federal Reserve Board, I transmit herewith outline of organization of Federal Reserve banks, together with typical chart. The Board requests that you bring this to the attention of your board of directors with the request that it consider making any changes in by-laws which may be necessary to carry into effect the plan of organization proposed.

Very truly yours,

Governor.

OUTLINE OF ORGANIZATION OF FEDERAL RESERVE BANKS.

While the office of Chairman of the Board of Directors and that of the Federal Reserve Agent are by statute required to be held by one and the same person, the duties and responsibilities of the two offices are separate and distinct. The holder of these offices occupies therefore, a dual capacity in relation to the Federal Reserve bank.

CHAIRMAN OF THE BOARD.

Under the terms of the Act the Chairman of the Board must be a person of "tested banking experience" and it is evidently contemplated that he should be qualified to judge intelligently as to the efficiency and orderly conduct of the management of the bank. In so far as his duties as Chairman of the Board are specifically defined, they are

- (a) To preside at meetings of the Board of Directors;
- (b) To conduct elections of directors, and
- (c) To transfer "public stock" i. e., stock held by subscribers other than member banks.

These appear to be the only specific duties and powers vested by the Act in any officer connected with the bank. All other powers are conferred by the Board of Directors which is expressly authorized to appoint such officers and employes as it deems necessary and to define their duties.

FEDERAL RESERVE AGENT.

The duties of the Federal Reserve agent are defined in detail by the statute. Under the terms of the Act he is the official representative of the Federal Reserve Board in the exercise of its supervisory powers over

-2-

the bank, and all of his duties are performed in the capacity of a representative of the United States rather than in the capacity of an officer of the bank. It will be observed that the statute provides that the duties of the Federal Reserve Agent shall be in addition to his duties as Chairman of the Board of Directors of the Federal Reserve Bank.

The Chairman of the Board and Federal Reserve Agent is appointed by the Federal Reserve Board, and the chief executive officer or manager of the bank, who has been styled "Governor", is elected by the directors of the bank, two-thirds of whom are chosen by the member banks, and he derives his authority from the Board of Directors.

In accordance with the evident intent of the Act, the following division of functions in the organization and administration of Federal Reserve banks is suggested:

- (1) Administrative, supervisory, and advisory;
- (2) Managerial and executive.

The first of these functions is governmental in character and is performed by the Chairman of the Board and the Federal Reserve Agent, who acts as the official representative of the Federal Reserve Board and who is required by law "to maintain * * * * a local office of said board on the premises of the Federal Reserve bank".

The second group of functions belongs to the Governor of the bank, subject to such limitations as may be prescribed by the Board of Directors.

From the foregoing a chart of organization has been developed, which is submitted herewith and which may be explained as follows:

EXPLANATION OF ORGANIZATION CHART.I.

The Chairman and Federal Reserve Agent, in his dual capacity, as Chairman of the Board of Directors of his bank and representative of the Federal Reserve Board, must have active supervision of the bank through the Auditor, who will be elected by the Board of Directors of the Bank and will report to the Board through him.

It will probably be found convenient for the Auditor to make his reports in duplicate or triplicate, so that at least one copy may be given to the Chairman of the Board and one copy to the Governor of the Bank.

The Chairman and Federal Reserve Agent will have on his staff one or more Assistant Federal Reserve Agents, to aid him in his work as custodian of the notes of the bank, and of the collateral for which he is responsible.

He will also have on his staff such examiner or examiners as may be required for the examination of member banks or of state banks desiring admission to the system; operating in this respect under direction of the Federal Reserve Board at Washington.

The credit files of the bank should be in the joint custody of the Government's representative and the chief executive officer of the bank.

II.

The Governor, as the chief executive or managerial officer of the bank, will have direct charge of the various activities of the bank. There will be one or more "Deputy Governors," a "Cashier," and one or more "Assistant Cashiers" who, under direction of the Governor, will have charge of the various operating departments of the bank.

III.

The Auditor of the Bank may be styled, "General Auditor," or in the case of the larger banks, "Comptroller."

While this independent officer reports directly to the Board of Directors, by which he is elected, and is not on the staff of the Chairman and Federal Reserve Agent, he should transmit his reports through the Chairman as the representative of the Board of Directors.

No changes in the personnel or salaries of the Auditing Department should be made until submitted for approval through the Chairman to the Board of Directors.

IV.

It is assumed, though it is not mandatory under the law, that the counsel of the bank should be elected by the board of directors reporting directly to

-4-

it as the legal advisor of the Board, and that he be consulted as occasion requires, by the Chairman as well as by the executive officers of the bank. Inasmuch as the Federal Reserve Board, from time to time, makes rulings on questions of law, or gives its interpretation of the law, it is obvious that the counsel of each Federal Reserve bank should work in absolute harmony with the Counsel of the Federal Reserve Board.

V.

The Board of Directors of the Federal Reserve Bank will require a Secretary, to have charge of all its official minutes and records., The position may be elective by the Board, its incumbent reporting directly to the Board of Directors, or it may very properly be merged with that of Counsel or with that of some member of the Chairman's staff. The latter method, on the whole, is to be preferred.