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156

FEDERAL RESERVE BOARD

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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

September 19, 1918.

X-1215

SUBJECT: ELECTION OF CLASS "A" AND CLASS "B" DIRECTORS.

Dear Sir:

House Bill No. 11285, generally known as the Phelan Bill, has passed both Houses of Congress and now awaits the signature of the President. Section 4 of the Federal Reserve Act, which relates to the election of directors of Class "A" and Class "B", amended by this bill, read as follows:

"Directors of Class A and Class B shall be chosen in the following manner:

"The Federal Reserve Board shall classify the member banks of the district into three general groups or divisions, designating each group by number. Each group shall consist as nearly as may be of banks of similar capitalization. Each member bank shall be permitted to nominate to the chairman of the board of directors of the Federal reserve bank of the district one candidate for director of Class A and one candidate for director of Class B. The candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within fifteen days after its completion, be furnished by the chairman to each member bank. Each member bank by a resolution of the board or by an amendment to its by-laws shall authorize its president, cashier, or some other officer to cast the vote of the member bank in the elections of Class A and Class B directors.

"Within fifteen days after receipt of the list of candidates the duly authorized officer of a member bank shall certify to the chairman his first, second, and other choices for director of Class A and Class B, respectively, upon a preferential ballot upon a form furnished by the chairman of the board of directors of the Federal reserve bank of the district. Each such officer shall make a cross opposite the name of the first, second, and other choices for a director of Class A and for a director of Class B, but shall not vote more than one choice for any one candidate." No officer or director of a member bank shall be eligible to serve as a Class A director unless nominated and elected by banks which are members of the same group as the member bank of which he is an officer or director.

Any person who is an officer or director of more than one member bank shall not be 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 such person is an officer or director.

It will be observed that the Federal Reserve Board is now required to classify the member banks of each district into three groups or divisions as a preliminary to the election of directors. The Board will be glad to have suggestions from you as to the proper classification of banks in your district.

It will also be observed that under this amendment each member bank is required by resolution of its Board, or by amendment to its bylaws, to authorize its President, Cashier, or some other officer to cast the vote of the member bank in the election of Class "A" and Class "B" directors instead of having a district reserve elector perform this service.

This amendment also prohibits any officer or director of a member bank from serving as a Class "A" director unless nominated and elected by banks which are members of the same group as the member bank of which he is an officer or director. Any 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 such person is an officer or director. The attention of the member banks in your district should be called to this change in the method of procedure for the election of directors and in the qualification of candidates.

Each bank in your district should be requested either to amend its bylaws so as to authorize one of its officers to cast the vote of the bank in the election of Class "A" and Class "B" directors, or to pass a resolution to this effect, and to file with you a copy of the amendment to its bylaws or of the resolution adopted.

As soon as the Federal Reserve Board has classified the banks in your district arrangements should be made to hold an election of directors to succeed those whose terms expire on December 31, 1918.

The Board, will, therefore, be glad to have your suggestions as to grouping of banks in your district as early as possible.

Very truly yours,

Governor.

The Chairman,
Federal Reserve Bank,