

FEDERAL RESERVE BOARD

WASHINGTON

January 29, 1924.
St. 3915.

SUBJECT: Federal Reserve Branch Banking.

Dear Sir:

In connection with the work of the Economy and Efficiency Committee, which has now been under way for nearly two years, the Board is making a study of the branches of the Federal Reserve Banks with special reference to the policy which should be pursued in deciding upon the extent and character of the work that should be permanently performed at the branches and to the determination of the additional cost entailed by the maintenance of the branches.

At the present time some of the branches are operated on the so-called memorandum plan while others are permitted to conduct practically all of the functions incident to the operation of the Federal reserve banks and are therefore known as "full-fledged" branches. All of the branches, however, are handling practically the same class of operations, with a few exceptions relating principally to earning assets, deposits and fiscal agency transactions, (the cost of which is comparatively small), as will be noted from Table 1 in the Outline of Federal Reserve Branch Banks covering their powers and functions and the character and volume of work handled which was issued by the Board in June, 1922.

In order that the Board may be in possession of data essential to the completion of its study in regard to the operation of Federal reserve branch banks it will be appreciated if you will furnish it at your early convenience with a report containing the following information:

A. Statement, based on functional expense reports, showing the annual cost of maintaining each of the 21 functions listed on page 32 of the quarterly functional expense report form E, together with figures in a parallel column showing the estimated net saving that could be effected if the branch were discontinued and the work taken over by the head office.

B. Statement as to whether or not in your opinion and that of the officers of the bank any one or more of the functions now being performed by the branch could be discontinued and the work taken over by the head office without slowing up the work of member banks to a greater extent than would be warranted by the saving to be effected in the expenses of the Federal reserve banks, together with an estimate of the probable annual saving.

C. Statement expressing the opinion of your Board of directors as to whether any of your branches or any of the functions now being performed by them should be discontinued.

In addition to the information specifically requested we shall also welcome a full expression of your views regarding any phase of Federal reserve branch banking which you think should be considered by the Board, especially as to the desirability of somewhat broadening the functions of Federal reserve branch banks.

Very truly yours,

Walter L. Eddy,
Secretary.

LETTER TO CHAIRMEN AT ALL FEDERAL RESERVE BANKS
EXCEPT BOSTON AND PHILADELPHIA.