

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD
X-9493

February 14, 1936.

SUBJECT: By-laws of the Federal Reserve Banks.

Dear Sir:

Due to amendments to the Federal Reserve Act contained in the Banking Act of 1935, certain modifications in the by-laws of the Federal Reserve banks appear to be necessary and some of the banks have already made changes in certain provisions of their by-laws to conform to amendatory provisions of the Banking Act of 1935. It is believed that the necessity for modifying the by-laws to conform to changes in the law affords a suitable opportunity for certain other changes in the by-laws of the Federal Reserve banks which appear to be desirable. While it is not believed that the by-laws of the several Federal Reserve banks should necessarily be uniform in all particulars, the Board of Governors wishes to make certain suggestions for the consideration of the board of directors of each of the banks with respect to provisions which may be incorporated in its by-laws.

In order to conform to the law as amended by the Banking Act of 1935, it appears that there should be included in the by-laws provisions relating to the appointment, functions, and terms of office of the president and first vice president. If amendments for this

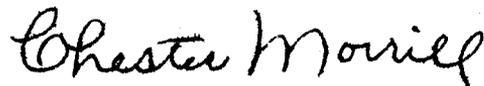
purpose have not already been incorporated in your by-laws, it seems desirable, in view of the fact that the law providing for the appointment of a president and a first vice president takes effect March 1, 1936, that action upon the necessary changes should be taken before that date, if possible, to become effective on that date.

The Board of Governors also feels that it is desirable that the executive committee of a Federal Reserve bank should be composed exclusively of persons who are directors of the bank, including the chairman of the board, and wishes to suggest for the consideration of your board that the by-laws be amended accordingly. The executive committee performs a number of duties between meetings of the board of directors and exercises important functions in the supervision of the conduct of the affairs of the bank. The operations of the bank are carried out by its officers and their actions during the intervals between meetings of the board of directors are subject only to the direction of the executive committee. Inasmuch as the executive committee is charged with the duty of reviewing and approving the actions of the executive officers of the bank, it would not seem proper for such officers to be members of that committee and, therefore, in the position of reviewing and approving their own actions. Moreover, it is generally true that executive committees of banks as well as commercial institutions are composed entirely of directors of such institutions, and this is natural in view of the fact that such a committee acts for the board of directors and performs many of its functions.

The by-laws of some of the Federal Reserve banks provide for a separate committee to pass upon discounts and advances and, if your bank is one of those whose by-laws do not now provide for such a committee, it is possible that you may wish to give consideration to the incorporation in the by-laws of provisions establishing such a committee, to be known as a discount committee or given some other suitable title. If such committee should be established, it is suggested that the by-laws require that it make a report of all discounts and advances to the executive committee for review at the next meeting of the latter.

The Board of Governors suggests that the board of directors of your bank give consideration to the suggestions which have been outlined above at the earliest practicable date and that you advise the Board of its action thereon as soon as possible.

Very truly yours,



Chester Morrill,
Secretary.

TO CHAIRMEN OF ALL FEDERAL RESERVE BANKS.