

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9778



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 4, 1937.

Dear Sir:

Paragraph numbered 6 of the rules and regulations regarding the appointment of directors of branches of Federal reserve banks, which were forwarded to you with the Board's letter of January 9, 1935, X-9083, contains a provision reading as follows:

"No director, other than the Managing Director, shall be reappointed for a term immediately following six or more years of continuous service as a director."

The question has been presented to the Board whether there would be any objection to the reappointment at this time of a branch director whose term expired on December 31, 1935, after more than six years of continuous service, the appointment to be for the unexpired portion of the term for which the director would have been appointed had he served continuously up to this time. The Board has taken the position that such an appointment would not be in accordance with the provision above referred to as it now stands and that, therefore, the Board could not consistently sanction the reappointment in question.

The Board feels that the regulation should be adhered to in this respect, and, in order to make the provision in question

more definite is amending, effective immediately, the last sentence of paragraph numbered 6 of its regulation to read as follows:

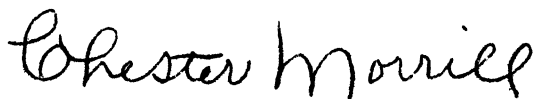
"No director, other than the Managing Director, who has had six or more years of continuous service, shall be reappointed as a director to take effect before the expiration of a period, immediately following such service, of at least two years at any branch having five directors or three years at any branch having seven directors."

The Board has also amended paragraph numbered 3 of its regulation to eliminate the requirement that one of the branch directors appointed by it shall reside outside of the city in which the branch is located. The paragraph, as amended, reads as follows:

"All directors shall be citizens of the district and shall reside within the territory served by the branch, but at least one of the directors appointed by the bank shall reside outside of the city in which the branch is located."

A copy of the regulation, as thus amended, is attached for your convenience.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO ALL PRESIDENTS

1. The board of directors of each branch of a Federal reserve bank shall consist either of seven members or of five members, as may be determined by the Federal reserve bank, subject to the approval of the Board of Governors of the Federal Reserve System. Where the board of directors of the branch consists of seven members, four shall be appointed by the Federal reserve bank and three by the Board of Governors, and, where the board consists of five members, three shall be appointed by the Federal reserve bank and two by the Board of Governors.

2. All directors shall be persons of high character and standing who have established reputations and ability to meet their financial obligations. They shall be persons whose business and financial interests are primarily within and representative of the branch territory rather than of interests controlled or owned outside the territory. The directors appointed by the Federal reserve banks shall be persons who are either well qualified and experienced in banking or actively engaged in agriculture, industry or commerce. The directors appointed by the Board of Governors shall be persons who are actively engaged in agriculture, industry or commerce and who are not primarily engaged in banking (although they may be stockholders or directors of banks).

3. All directors shall be citizens of the district and shall reside within the territory served by the branch, but at least one of the directors appointed by the bank shall reside outside of the city in which the branch is located.

4. One of the directors appointed by the reserve bank shall be the active manager of the branch and shall have the title "Managing Director".

5. The term of office for the director chosen by the reserve bank to act as Managing Director of the branch shall be one year, subject to reappointment from year to year, if such action be desirable.

6. The full term for other directors shall be three years where the branch board consists of seven members and two years where the branch board consists of five members. In order to make practicable an orderly rotation of branch directorships, the terms of directors, other than the Managing Director, shall be so arranged that the term of a director appointed by the Board of Governors and the term of a director appointed by the Federal reserve bank shall expire at the end of each year. No director, other than the Managing Director, who has had six or more years of continuous service, shall be reappointed as a director to take

effect before the expiration of a period, immediately following such service, of at least two years at any branch having five directors or three years at any branch having seven directors.

7. The board of directors of each branch shall annually elect as chairman of the board the member appointed by the Board of Governors whose term of office expires with the current year.

8. In the event of a vacancy occurring in the board of directors of a branch of a Federal reserve bank, the appointment to fill such vacancy shall be made by the body making the original appointment and such appointment shall be for the unexpired term.

9. As provided in Section 5 of the Federal Reserve Act, directors of branches of Federal reserve banks hold office at the pleasure of the Board of Governors.