

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 8, 1939.

Dear Sir:

In its letter of January 24, 1938, S-70, the Board set forth reasons why it was believed to be undesirable for a member of the board of directors of a Federal Reserve bank to serve at the same time as a director of a branch of the bank. The amendment to the Board's regulation with respect to the appointment of directors of branches of Federal Reserve banks, to which reference was made in that letter, provided that no director of a Federal Reserve bank should be appointed to serve as a director of a branch during the period of his service as a director of the Federal Reserve bank. It will be noted that this provision does not cover the case where a director of a branch is appointed to serve as a director of the Federal Reserve bank and in order to give full effect to the policy of the Board in this matter the last sentence of the second paragraph of the regulation has been amended to read as follows:

"No director of a Federal Reserve bank shall serve as a director of a branch of the bank during the period of his service as a director of the Federal Reserve bank."

A copy of the amended regulation is attached to this letter.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosure.

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). No director of a Federal Reserve bank shall serve as a director of a branch of the bank during the period of his service as a director of the Federal Reserve bank.
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 3 of the Federal Reserve Act, directors of branches of Federal Reserve banks hold office at the pleasure of the Board of Governors.