

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-207

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 5, 1940.



Dear Sir:

The Board of Governors has now adopted regulations governing the operations of the branches of the Federal Reserve banks in the form enclosed herewith, to become effective April 1, 1940.

A few suggestions were received from the Federal Reserve banks with regard to these regulations pursuant to the Board's letter of December 20, 1939, S-194; and, accordingly, certain changes have been made in the regulations. In this connection, it will be observed that the regulations as adopted are so worded as to permit the designation of the chairman of the board of directors of the branch from among the members appointed by the Board of Governors to be made either by the Federal Reserve bank or the branch board, as the bank may deem advisable. This provision, of course, is not intended to affect in any way the service or terms of branch chairmen now in office.

Before the effective date of the regulations or as soon thereafter as practicable, it is requested that each Federal Reserve bank having branches review the existing by-laws of its branches and make such modifications as may be appropriate in the light of the new regulations enclosed. As indicated in S-194, it will not be necessary for a Federal Reserve bank to obtain the approval of the Board of Governors of by-laws and instructions issued pursuant to section 5 of the regulations, but it is requested that copies of any such by-laws or general instructions regarding operation of branches, as well as copies of any future amendments thereof, be furnished promptly to the Board of Governors for its information.

Very truly yours,

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

Chester Morrill,
Secretary.

Enclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

REGULATIONS
RELATING TO
BRANCHES OF FEDERAL RESERVE BANKS

(Effective April 1, 1940)

These regulations, governing the operations of all branches of Federal Reserve banks, are prescribed by the Board of Governors of the Federal Reserve System (hereinafter referred to as the Board of Governors) under authority of the provisions of section 3 of the Federal Reserve Act.

Section 1. Names of Branches and Territory Served

(a) Names of branches. - Each branch shall include in its title the name of the city in which it is situated and the name of the Federal Reserve bank of which it is a branch, as "Detroit Branch of the Federal Reserve Bank of Chicago".

(b) Branch territory. - No change shall be made by any Federal Reserve bank in the territory included within the district served by any of its branches, except with the approval or upon the direction of the Board of Governors.

Section 2. Authority and Functions

No substantial change shall be made by any Federal Reserve bank in the authority of or functions performed by any of its branches, except with the approval or upon the direction of the Board of Governors.

Section 3. Directors

(a) Number of directors. - 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. 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.

(b) Qualifications of directors. - 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. All directors

shall be citizens of the United States and shall reside within the territory served by the branch, but at least one of the directors appointed by the Federal Reserve bank shall reside outside of the city in which the branch is located.

(c) Managing Director. - One of the directors appointed by the Federal Reserve bank shall be designated by it as the active manager of the branch. He shall have the title "Managing Director" and shall perform such duties as may be prescribed by the Federal Reserve bank. The term of office of the Managing Director shall be one year and he may be reappointed from year to year.

(d) Terms of other directors. - The term of office of directors, other than the Managing Director, 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.

(e) Directors with six or more years of continuous service. - No director, other than the Managing Director, shall be reappointed as a director if such reappointment is to become effective within a period of two years immediately following six or more years of continuous service at any branch having five directors or within a period of three

years immediately following such service at any branch having seven directors.

(f) Chairman. - The Federal Reserve bank shall provide for the annual designation, in such manner as it may prescribe, of one of the members of the board of directors of each branch appointed by the Board of Governors as the chairman of the board.

(g) Vacancies. - 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.

(h) Removal of directors. - As provided in section 3 of the Federal Reserve Act, directors of branches of Federal Reserve banks hold office during the pleasure of the Board of Governors.

(i) Meetings. - The board of directors of each branch shall meet once a month during at least ten months in each calendar year. A special meeting may be called at any time in accordance with such procedure as the Federal Reserve bank may prescribe.

(j) Quorum. - A majority of the board of directors of the branch shall constitute a quorum for the transaction of business, but less than a majority may adjourn from time to time until a quorum is in attendance.

(k) Fees and allowances. - The fees and allowances to be paid to directors of the branch for attendance at meetings of the board of directors of the branch or any committees of the branch shall be

fixed by the Federal Reserve bank subject to the approval of the Board of Governors.

(1) Powers. - The board of directors of the branch shall supervise the operations of the branch subject to the direction and control of the Federal Reserve bank of the district and the regulations of the Board of Governors.

Section 4. Officers

The Federal Reserve bank shall appoint such officers for each branch, in addition to the Managing Director, as the bank from time to time deems necessary. Such officers shall perform such duties as may be prescribed by the Federal Reserve bank or by the Managing Director. In accordance with the provisions of the Federal Reserve Act, all officers of a branch shall be subject to removal by the Board of Governors and any compensation provided for officers or employees of any branch shall be subject to the approval of the Board of Governors.

Section 5. Supplemental Instructions

Each Federal Reserve bank may issue instructions or adopt by-laws, not inconsistent with the law or these regulations, containing such further provisions with regard to the operation of its branches as it may deem advisable.