90th anniversary of the

Federal Reserve Bank of Boston

December 23, 1913 – President Woodrow Wilson signs the Federal Reserve Act "to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes."

November 16, 1914 – The Federal Reserve Bank of Boston opens for business, serving the six New England states. Bankers, businesspeople, politicians, and educators had united to recommend that the organizing committee establish a Reserve Bank to serve the New England region.

• The Bank is housed in two rooms below street level in the Converse Building at 101 Milk Street and is staffed by three officers and 14 clerks. 66 percent of all commercial banks in the District are member banks. Alfred Aiken, previously president of Worcester National Bank, is named Governor (now President) of the Federal Reserve Bank of Boston.

• Discount-window lending is the primary tool used to accommodate seasonal swings in the demand for currency and credit.

1920 – The Bank begins construction of a building at 30 Pearl Street, which opens in 1922.

• Early in the 1920s, most Federal Reserve officials regard open market purchases of securities primarily as a source of revenue rather than as a tool for controlling money and credit. Each regional Bank makes its own purchases of Treasury securities and bankers' acceptances.

1923 – The Federal Reserve Bank of Boston opens an office in Havana, Cuba, to provide cable services for transferring funds, but closes it in 1927.

1929 – Eddie McCarthy starts work at the Bank as a messenger, earning $600 per year. He will work for the Bank for almost 70 years, becoming the Bank's "eyes and ears" on the financial markets.

1932 – The Glass-Steagall Act of 1932 permits Reserve Banks to make loans to member banks on any security the Reserve Banks consider satisfactory, and in unusual circumstances even to make loans to nonbank borrowers; later, companies such as Raytheon and Anderson Little will take out loans from the Boston Fed.

1933 – The Glass-Steagall Act of 1933 places significant restrictions on the ability of banks to engage in investment banking.

1935 – The Banking Act of 1935 restructures the Federal Reserve System, introducing the basic structure that exists today. The Treasury Secretary and Comptroller of the Currency no longer serve on the Board.

1940s – As deficit financing of World War II expands, the Federal Reserve becomes a more active purchaser of Treasury debt.

1950s – The Federal Reserve and the banking industry develop

and implement magnetic ink character recognition (MICR) encoding, allowing automated check processing.

• Open market operations become the primary tool for carrying out monetary policy, with discount rate and reserve requirement changes used as occasional supplements.

• Under Research Director George Ellis, the Bank studies the loss of textile and shoe-manufacturing jobs in New England, and begins to promote the idea that the region should specialize in high-value-added industries that tap its educational and intellectual resources.

1961 – George Ellis is named President of the Federal Reserve Bank of Boston.

1968 – Frank Morris succeeds George Ellis as President of the Boston Fed.

• The Reserve Banks initiate the book-entry securities system.

1969 – Bank President Frank Morris joins the preeminent Boston business group, "The Vault." The Bank begins planning for a new building, eventually choosing a site that held deteriorating warehouses, many of them abandoned. Construction on this site extends Boston's financial district and leads to revitalization of the South Station area.

1970 – The Federal Reserve formally adopts monetary targets.

• Amendments to the Bank Holding Company Act bring one-bank holding companies under federal supervision, ushering in the modern era of bank-holding-company supervision and regulation. For the Federal Reserve, the exclusive federal regulator of bank holding companies, this means significantly expanded responsibilities.

1970s – The Bank elects its first minority Director, Kenneth Guscott, who serves on the Board from 1974 until 1979, and its first female Director, Carol Goldberg, who serves from 1978 until 1982.

1972 – The Boston Fed establishes regional check processing centers (RCPCs) in Windsor Locks, CT, and Lewiston, ME.

1976 – At the request of the state of Massachusetts, which is in a fiscal crisis, the Bank uses its expertise to examine the state budget and the administration's plans to balance it. Bank researchers and executives travel to New York City to brief – and reassure – wary bond dealers on the state's efforts to put its fiscal house in order.

1977 – The Community Reinvestment Act encourages depository institutions to help meet the credit needs of their communities.

• Bank staff move into the new building at 600 Atlantic Avenue.

1980 – The Depository Institutions Deregulation and Monetary Control Act requires all depository institutions to hold reserves and the Reserve Banks to price and offer their services to all depository institutions. The Act also applies uniform reserve requirements to all depository institutions and extends access to the discount window, among other provisions.

• The Boston Fed begins exploring the feasibility of applying image technology to check processing.

1914 -2004

1987 – On October 19, the Dow Jones industrial average falls 508 points, or 22.6 percent. The Federal Reserve reassures markets that liquidity is available.

1989 – Frank Morris retires; Dick Syron becomes President of the Boston Fed.

1990s – The late 1980s to early 1990s are a period of substantial challenge to the Bank, given the severely distressed condition of depository institutions in New England and the region's depressed economy. The region incurs a significant number of bank failures, and the Bank's banking supervision, discount window, and financial services functions are challenged to ensure the maintenance of essential services and facilitate the orderly resolution of failed institutions.

1992 – The Bank publishes a groundbreaking statistical study that documents the role that race played in home mortgage approvals in Boston's neighborhoods, leading to reforms.

1994 – The Federal Reserve Board implements same-day settlement rules to require paying banks to accept checks presented by 8:00 a.m. without requiring payment of presentment fees and to pay for those checks in same-day final settlement.

1994 – Cathy Minehan replaces Dick Syron as President, becoming the first female President of the Federal Reserve Bank of Boston.

• President Minehan continues the Bank's active involvement with the Boston Public Schools and the Boston Private Industry Council's workforce readiness efforts, begun under Frank Morris.

• As an experiment, the FOMC begins announcing policy decisions on the day they are made. This begins a period of increasing transparency.

• The Riegle-Neal Interstate Banking and Branching Efficiency Act permits interstate banking. Well before Riegle-Neal, New England was at the cusp of the interstate banking movement with the creation of regional compacts that allowed reciprocal mergers and acquisitions across state lines.

1999 – The Gramm-Leach-Bliley Act permits banks, securities firms, and insurance companies to affiliate within a new "financial holding company" structure, and expands the list of nonbanking financial activities permitted to banks. The Federal Reserve is given the challenge of serving as the umbrella supervisor of the new holding companies. The Act also establishes sweeping consumer privacy protections.

2003 – The New England Economic Adventure opens at the Boston Fed. The Adventure features interactive exhibits and activities that use New England's history to teach about economic growth and rising living standards.

• Faced with declining check volume, the Reserve Banks implement a process to better match national infrastructure with volumes. Thirteen offices discontinue check processing, while two others expand.

2004 – The U. S. Treasury chooses the Boston Fed to build and maintain the systems and networks for the Treasury's Internet payments platform (IPP) initiative, which will allow government agencies to electronically procure and pay for goods and services.

• The decision is made to move Boston check services to Windsor Locks, Connecticut, in early 2006.