

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, September 23, 1948.

PRESENT: Mr. Szymczak, Chairman pro tem.
Mr. Draper
Mr. Evans
Mr. Vardaman

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 22, 1948, were approved unanimously.

Memorandum dated September 16, 1948, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the resignation of Robert A. Rennie, an economist in that Division, be accepted to be effective, in accordance with his request, at the close of business September 24, 1948, with the understanding that a lump sum payment would be made for annual leave remaining to his credit as of that date.

Approved unanimously.

Memorandum dated September 16, 1948, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Miss A. Jane Moore as an economist in that Division, on a temporary indefinite basis, with basic salary at the rate of \$3,727.20 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum also

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stated that Miss Moore was a member of the Civil Service retirement system and would remain in that system.

Approved unanimously.

Memorandum dated September 22, 1948, from Mr. Leonard, Associate Director of the Division of Bank Operations, containing the following recommendations:

"1. That Dale M. Lewis, presently of the Federal Reserve Bank of St. Louis, be appointed to the newly created position of Chief, Regulation W Section of the Division of Bank Operations, at an annual salary of \$7,432.20, effective when he reports for duty, subject to passing satisfactorily the customary physical examination.

"2. That the Board pay the moving expenses of Mr. Lewis and his family from St. Louis to Washington, including allowance for travel by automobile from St. Louis to Washington at the rate of 6-1/2 cents per mile in accordance with the Board's travel regulations, and

"3. That in view of the need for bringing Mr. Lewis here as soon as possible and the fact that it will be necessary for him to maintain two establishments for a time, he be paid a special allowance of \$8.00 a day for a period up to six weeks pending the establishment of his family in Washington."

The memorandum also stated that Mr. Lewis was a member of the Federal Reserve retirement system and would remain in that system.

Approved unanimously.

Memorandum dated September 20, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Miss Eleanor P. Simmonds as a stenographer in that Division with basic salary at the rate of \$2,498.28 per annum,

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effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum also stated that Miss Simmonds would become a member of the Federal Reserve retirement system.

Approved unanimously.

Letter to Mr. Hill, Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"In accordance with the request contained in your letter of September 16, 1948, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Philadelphia:

James F. Brusch	William M. Lee
David S. Hollenshead	Jeremiah P. Shea"

Approved unanimously.

Letter to Mr. Wayne, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in your letter of September 16, 1948, the Board approves the designation of Jack M. Brooks as a special assistant examiner for the Federal Reserve Bank of Richmond."

Approved unanimously.

Letter to Mr. Diercks, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in your letter of September 16, 1948, the Board approves the appointment of Robert J. Weber as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

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Letter to the organizers of the "Childersburg State Bank", Childersburg, Alabama, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H and the following special condition, the Board approves the application made on behalf of the "Childersburg State Bank" for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Atlanta:

- "3. At the time of admission to membership, such bank shall have a paid-up and unimpaired capital stock of not less than \$50,000 and other capital funds of not less than \$25,000."

The letter also contained the following special comment:

"Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the bank's charter has been issued. The board of directors also should adopt, at the same time, a resolution ratifying the action which has been taken in the bank's behalf in making application for membership in the Federal Reserve System. A certified copy of each resolution, together with advice of compliance with the condition to be complied with prior to admission to membership, should be transmitted to the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank."

Approved unanimously, together
with a letter to Mr. McLarin, President
of the Federal Reserve Bank of
Atlanta, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application made on behalf of the Childersburg State Bank, Childersburg, Alabama, for membership

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"in the Federal Reserve System, effective if and when the bank is authorized to commence business by the appropriate State authorities, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the organizers of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of Alabama for his information.

"Before issuing stock in the Federal Reserve Bank of Atlanta to the new State institution, you are requested to satisfy yourself that its capital stock of \$50,000 has been paid in, that a charter has been issued, and not less than \$25,000 of other capital funds provided as set forth in the plan submitted. At such time your Counsel should review all steps taken in the organization of the bank and certified copies of all organization papers should be forwarded to the Board together with a copy of Counsel's opinion."

Letter to Mr. Latham, Vice President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letters of August 25, 1948, and September 13, 1948, submitting the request of the Industrial Trust Company, Providence, Rhode Island, for approval of the establishment of branches in Central Falls and Pawtucket, Rhode Island, and of an additional investment of \$300,000 in banking premises to cover the estimated cost of the proposed branch buildings.

"It is noted that the establishment of the proposed branches has been approved by the appropriate State authorities and in view of your recommendation, the Board of Governors approves the establishment and operation of a branch in Central Falls, Rhode Island, and of an additional branch in Pawtucket, Rhode Island, by the Industrial Trust Company, Providence, Rhode Island, provided such branches are established within six months after date of this letter and with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish the branches.

"It is also noted that the bank does not intend to capitalize any part of the proposed expenditure of \$300,000 for additional banking premises, and in accord

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"with your recommendation, the Board of Governors approves the additional expenditure as proposed."

Approved unanimously.

Letter to Mr. Wayne, Vice President of the Federal Reserve

Bank of Richmond, reading as follows:

"Receipt is acknowledged of your letter of September 20, 1948, regarding the request of the Wachovia Bank and Trust Company, Winston-Salem, North Carolina, for an additional extension of the time within which the establishment of its proposed branch in Charlotte, North Carolina, may be accomplished under the approval granted by the Board of Governors on February 4, 1948.

"In accordance with your recommendation the Board extends to November 1, 1948, the time within which establishment of the branch may be accomplished."

Approved unanimously.

Letter to Mr. Wiltse, Vice President of the Federal Reserve

Bank of New York, reading as follows:

"The Board has given consideration to the application for fiduciary powers of The Hillsdale National Bank, Hillsdale, New Jersey, which was forwarded with your letter of September 7, 1948.

"The information submitted indicates that the community served by the applicant has no real need for additional corporate fiduciary services; that the applicant has no actual or potential trust business in prospect; that its proposed trust officer is comparatively inexperienced in fiduciary matters; and that it is not equipped or prepared to engage in the administration of trust accounts generally. It is also indicated that the Office of the Comptroller of the Currency, which has supervisory authority over national banks, does not look with favor on the exercise of trust powers by this bank.

"After careful consideration of all the circumstances, the Board is unwilling to grant the permission requested. Please advise the applicant accordingly."

Approved unanimously.

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Telegram to the Presidents of all Federal Reserve Banks reading as follows:

"At the Regulation W conference on October 7 and 8 the agenda will cover such matters as administrative organization and procedure, enforcement, troublesome questions of interpretation, proposals for amendments relating to repair and modernization credits and enforceability of contracts, and other matters such as requests for liberalizing amendments. We would appreciate having your suggestions as to specific topics and an indication of any topics as to which your bank has a special interest and would be willing to present the problem to the conference."

Approved unanimously.

Letter to Mr. B. B. Kennedy, Director of the Division of the Federal Register, The National Archives, Washington 25, D. C., reading as follows:

"In compliance with the provisions of the Federal Register Regulations revised effective September 11, 1946, there are transmitted for filing in your division and for publication in the Federal Register, an original and three certified copies of a summary of interpretations under Part 222 relating to consumer instalment credit issued by the Board of Governors of the Federal Reserve System. The attached summary of interpretations falls in Category (3) of Section 2.23 of the Federal Register Regulations."

Approved unanimously.

Memorandum dated September 16, 1948, from the Legal Division recommending that the Board's Procedures for Administration of the Employees Loyalty Program be revised to reflect the language of the directives and memoranda issued by the Loyalty Review Board, and submitting a draft of revision which, the memorandum stated, had received the tentative approval of the Chief Attorney for the Loyalty Review Board, and which read as follows:

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"The regulations and directives duly promulgated by and under the authority of the Loyalty Review Board, in accord with the provision of Executive Order 9835, as set forth in Title 5, Chapter II, of the Code of Federal Regulations (13 F.R. 253), constitute the basic and controlling regulations to govern all loyalty adjudication procedures for the Board of Governors of the Federal Reserve System (hereinafter referred to as the Board of Governors).

"The following statement of procedures is therefore promulgated in accordance therewith.

"Section 1. Standard:

The standard for the refusal of employment or the removal from employment in the Board of Governors on grounds relating to loyalty shall be that, on all the evidence, reasonable grounds exist for belief that the person involved is disloyal to the Government of the United States. The decision shall be reached after consideration of the complete file, including arguments, briefs, and testimony presented.

"Section 2. Loyalty Board:

(a) A Loyalty Board, consisting of three members and three alternate members, all of whom shall be officers or employees of the Board of Governors, shall be appointed by the Board of Governors. The Board of Governors shall designate one of such members as Chairman, and one as Vice Chairman, who shall act as Chairman in the absence or inability of the Chairman to serve for any reason. Each principal and each alternate member shall serve for one year from the date of appointment or until his successor is appointed. In the absence of any member of the Loyalty Board or of his inability to serve for any reason the Personnel Committee of the Board of Governors shall designate one of the alternate members to act in his stead.

(b) The Loyalty Board shall adjudicate cases involving the loyalty of officers and employees of the Board of Governors and make recommendations to the Board of Governors with respect to the removal of any officer or employee of the Board of Governors on grounds relating to loyalty.

(c) Loyalty cases shall be adjudicated by the full Loyalty Board, and two members of the Loyalty Board voting alike shall be sufficient to support any action taken. For the transaction of any other business, a quorum of the Loyalty Board shall consist of two members.

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"Section 3. Legal and Secretarial Assistance:

The General Counsel and the Secretary of the Board of Governors shall provide such legal and secretarial assistance to the Loyalty Board from among the members of their respective staffs as may be deemed necessary.

"Section 4. General Procedures:

(a) Investigations of all applicants for positions in the Board of Governors shall be initially conducted by the Division of Personnel Administration, and such Division shall be deemed the investigative organization of the Board for the purposes of Executive Order 9835. Full field investigations, however, will be conducted by the Federal Bureau of Investigation.

(b) All cases in which a report of an investigation is received with respect to the loyalty of an officer or employee of the Board of Governors shall be submitted by the Director of the Division of Personnel Administration to the Loyalty Board. The Loyalty Board shall examine the reports of investigation and may request further investigations if such action appears to be necessary. Whenever practicable such request shall be specific as to the additional information required.

If the Loyalty Board deems it advisable or necessary to obtain information or clarification of certain matters from an individual whose case is before the Loyalty Board prior to reaching a conclusion as to whether the case should be closed favorably, whether charges should be made or further investigation should be requested from the Federal Bureau of Investigation, the individual may be given the opportunity, if he so desires, to answer questions by written interrogatories issued by the Loyalty Board, but not otherwise.

(c) The Loyalty Board shall consider reports of investigation in the light of the standard set forth above and determine whether such reports warrant a finding favorable to the individual concerned, or call for further processing of the case with a view to possible removal action.

(d) If the Loyalty Board, on the basis of all available information, reaches a conclusion that a finding clearly favorable to the officer or employee is justified, it shall report its conclusion, and recommend, to the Chairman of the Personnel Committee of the Board of Governors that no further action be taken. Unless the Chairman of the Personnel Committee disagrees

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"with such conclusion and recommendation, he shall refer the matter to the Director of the Division of Personnel Administration who shall make an appropriate entry of the conclusion and recommendation in the loyalty folder of the officer or employee. If the Chairman of the Personnel Committee disagrees he or the Personnel Committee may refer the case back to the Loyalty Board for further processing.

(e) If the Loyalty Board determines that the evidence before it does not warrant a finding clearly favorable to the officer or employee it shall cause to be served upon such officer or employee a notice in writing setting forth the charges against him in sufficient detail, so far as security considerations will permit, in order to enable such officer or employee to submit his answer, defense or explanation. This notice shall be given to the officer or employee at least thirty calendar days in advance of the effective date of the proposed removal action, unless there is reasonable cause to believe the officer or employee to be guilty of a crime for which a sentence of imprisonment can be imposed, in which case a shorter notice may be given.

"Section 5. Notice of Charges and Proposed Removal Action:

The notice of charges referred to in section 4(e) shall state that the person so charged shall have a right to answer the charges in writing (which shall be under oath or affirmation) within fifteen calendar days from the date of the receipt by him of such notice; that he has a right to an administrative hearing before the Loyalty Board if he so requests; that he has a right to appear personally before such Loyalty Board, be represented by counsel or representative of his own choosing, and present evidence in his behalf, the work and pay status in which he will be carried during the period of the notice and until the determination of such Loyalty Board; and the authority or authorities, such as Executive Order 9835 and any applicable statutes, under which the notice is being sent.

"Section 6. Determinations Prior to Hearings:

After giving the individual concerned the foregoing notice, the Loyalty Board shall proceed as follows:

(1) If the individual concerned does not reply within the time specified in the notice, the Loyalty Board shall consider the case on the complete file and recommend appropriate action to the Board of Governors;

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"(2) If the individual concerned answers the charges in writing but does not request a hearing, the Loyalty Board shall then consider the case on the complete file, including such answer, and shall recommend appropriate action to the Board of Governors.

(3) If the individual concerned requests a hearing before the Loyalty Board, a time and place for such hearing shall be set by the Board, as convenient to the individual as circumstances permit, and he shall be allowed a reasonable time to assemble his witnesses and prepare his defense.

"Section 7. Hearings Before the Loyalty Board:

(a) Hearings before the Loyalty Board shall be conducted privately, with attendance limited to the representatives of the Board of Governors who are directly connected with the adjudication of the case, representatives of the Loyalty Review Board, the individual concerned and his counsel or representative, and the witness who is testifying. The hearing shall be fairly and impartially conducted. Strict legal rules of evidence shall not be applied at Loyalty Board hearings, but reasonable limits shall be observed as to competency, relevancy, and materiality of all information presented. Testimony shall be given under oath or affirmation.

(b) A stenographic record of the hearings shall be made by the person designated therefor by the Secretary of the Board of Governors as provided in section 3, and shall become a part of the official record. The individual concerned or his counsel or representative shall be entitled to inspect the transcript of the hearing and, upon request, a copy of the transcript shall be furnished to him or his counsel or representative. The number of copies to be prepared of the transcript in each individual case shall be determined by the Loyalty Board. No other transcripts shall be made.

"Section 8. Determinations of the Loyalty Board:

(a) After the officer or employee has been given a hearing by the Loyalty Board, such Board shall proceed to make a determination of the case as promptly as possible. Such determination shall be in writing and shall be signed by the members of the Loyalty Board. It shall state merely the action taken and shall be made a permanent part of the file in every case.

(b) The Loyalty Board shall also prepare for the file a memorandum report of reasons and bases for its action, and make written recommendations to the Board of

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"Governors on all cases in which a notice of charges shall be given pursuant to section 4(e) and shall transmit the complete record of the case to the Board of Governors. In all such cases the Loyalty Board shall also give written notice of the action taken by it to the officer or employee charged and in the case of an unfavorable determination shall advise him of his right of appeal to the Board of Governors.

"Section 9. Appeals:

(a) Every officer or employee with respect to whom the Loyalty Board has recommended removal on the grounds of disloyalty shall have the right of appeal to the Board of Governors within fifteen days from the date he receives the notice provided for in section 8 above. The time for appeal herein provided for may be extended by the Board of Governors for good cause. If such officer or employee appeals to the Board of Governors, the said Board may refer the appeal and any hearing requested by the officer or employee in connection therewith to one or more of its members, who shall have the right to fix the scope and extent of such hearing; but the officer or employee involved shall have the right to be present with his attorney or representative and to be heard at such hearing.

(b) All appeals from a recommendation of the Loyalty Board shall be in writing and shall state in substantial detail all facts and circumstances in support thereof.

(c) The Board of Governors will determine whether the officer or employee charged should be removed from office or employment because of disloyalty within the purview of Executive Order 9835. Proceedings by the Board of Governors upon such review shall be informal and shall be conducted by the Board of Governors in such manner as determined best to protect the respective interests of the Board of Governors, the United States, and the person charged.

(d) If the Board of Governors, upon a review of the recommendation of the Loyalty Board, decides that reasonable grounds exist for belief that the person involved is disloyal within the purview of Executive Order 9835 and should be removed from office, the Secretary of the Board of Governors will notify the officer or employee concerned of the decision of the Board of Governors and of his further right of appeal to the Civil Service Commission's Loyalty Review Board. If no such appeal is taken by the officer or employee within the

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"time prescribed by the Civil Service Commission's Loyalty Review Board, the Board of Governors will enter an order removing such officer or employee from his service with the Board of Governors.

"Section 10. Suspensions:

The Board of Governors may suspend any officer or employee at any time pending a determination with respect to his disloyalty to the Government of the United States. Generally an officer or employee of the Board of Governors will not be suspended until after a determination of an unfavorable nature (subsequent to the serving of a notice of proposed removal action and reply, if any, and hearing if held) has been made by the Loyalty Board, unless the Board of Governors feels that the retention on active duty of the officer or employee might be detrimental to his interest or to the interest of the Board of Governors, the Government, or the public.

"Section 11. Applicants:

All cases of loyalty relating to applicants for positions in the Board of Governors shall be adjudicated in accordance with the applicable regulations and directives issued by the Loyalty Review Board and the procedures specified herein.

"Section 12. Safeguarding Confidential Information:

Confidential sources of information and the identity of confidential witnesses or informants referred to in reports shall not be disclosed under any circumstances to any person not officially connected with the adjudication of the case on behalf of the Board of Governors. No sources of information and no investigation reports shall be exhibited to or examined by the employee or to or by any one on behalf of the employee.

"Section 13. Board's Rules of Procedure Not Applicable:

The foregoing procedures shall not apply to the suspension or removal of officers or employees of the Board of Governors under authority of the Federal Reserve Act for any reason other than suspension or removal on grounds of disloyalty to the Government of the United States. The Board's Rules of Procedure prescribed pursuant to the Administrative Procedure Act shall not apply to proceedings herein provided."

Approved unanimously

Approved:

W.S. Sprague
Chairman pro tem.

A. Harp
Secretary.