

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, August 24, 1949.

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

Mr. Sherman, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 23, 1949, were approved unanimously.

Memorandum dated August 24, 1949, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Miss Mona E. Dingle as an economist in that Division, with basic salary at the rate of \$4,479.60 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination.

Approved unanimously.

Memorandum dated August 23, 1949, from Mr. Leonard, Director of the Division of Bank Operations, recommending the appointment of Miss Doris Tonnesen as a clerk-stenographer in that Division, with basic salary at the rate of \$2,724 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination.

Approved unanimously.

Letter to Mr. Sheehan, Chief Examiner of the Federal Reserve Bank of New York, reading as follows:

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"Reference is made to your letter of August 22, 1949, submitting for consideration of the Board of Governors, a proposal of the Manufacturers and Traders Trust Company, Buffalo, New York, to move its branch office now located at 285 Ridge Road to a new location at 227-233 Ridge Road, Lackawanna, New York.

"It is understood that approval of the State banking authorities is to be received prior to effecting the proposed change.

"On the basis of the facts submitted, the Board concurs in your opinion that the proposed change of location does not constitute the establishment of a branch within the meaning of Section 9 of the Federal Reserve Act, and therefore, the Board's approval is not required."

Approved unanimously.

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

"Enclosed for your information is a photostatic copy of a memorandum dated August 15, 1949, prepared at the F.D.I.C. on the situation of the Mimbres Valley Bank, Deming, New Mexico. The F.D.I.C. has asked us to keep it advised of any important new developments in this situation.

"Several days ago you forwarded to the Board a copy of your letter to the subject bank dated July 22, in which you acknowledge receipt of the information that the bank's recent investment of \$5,000 in Deming Federal Savings and Loan Association had been charged down on its books to \$1.00. As you know, the provisions of Section 5136 U.S.R.S. forbid the purchase by member banks of shares of stock of Federal savings and loan associations (F.R.L.S. #7086). Since the charge down of the carrying value to a nominal amount does not cure the violation, it will be appreciated if you will advise the bank that its investment in shares of the Deming Federal Savings and Loan Association should be disposed of as soon as practicable."

Approved unanimously.

Letter to Mr. Johns, Vice President and General Counsel of

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the Federal Reserve Bank of Kansas City, reading as follows:

"This refers to your letter of August 3, 1949, regarding the question whether a deposit of a 'Homes Association' may properly be classified by a member bank as a savings deposit under applicable provisions of Regulation Q.

"It is understood that Homes Associations of the type in question are in some cases voluntary associations and in other cases are organized pursuant to applicable provisions of State law providing for nonprofit corporations; that the membership of such an association consists of owners of real estate in the particular area affected; and that the purpose of such an association, as stated in the typical 'Declaration of Incorporation', is to provide certain services to its membership, including the collection of garbage and trash, the care of parks and parkways, treatment and spraying of trees, maintenance of playgrounds, and other similar services. Necessary funds to enable the association to perform these services are raised by the levying of annual assessments upon its members, usually on a square foot basis. Officers and directors or trustees of the association serve without compensation. It is understood that such associations are not operated for profit and that no distributions are made to their members except in the form of services of the kinds indicated.

"On the basis of the above understanding, and in the light of past rulings of the Board involving associations organized for similar mutual benefit purposes, it is the view of the Board that Homes Associations of the kind described may properly be regarded as associations 'operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes and not operated for profit' within the meaning of Regulation Q and that, therefore, deposits of such associations in member banks may be classified as 'savings deposits' under the provisions of the Regulation."

Approved unanimously, together
with a letter transmitting the above
letter to the Presidents of all Fed-
eral Reserve Banks.

Letter to the Honorable Burnet R. Maybank, Chairman of the

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Senate Banking and Currency Committee, reading as follows:

"This refers to Mr. McMurray's letter of August 9, 1949, requesting an opinion from the Board as to the merits of the bill S. 2318 to provide for control and regulation of bank holding companies, and for other purposes.

"As of course you know, this bill was introduced in the Senate at the suggestion of the Board because of the inadequacy of the present laws dealing with bank holding companies and for other reasons which have been indicated. When hearings on this bill are scheduled by your Committee we will appreciate having an opportunity to appear before your Committee to offer testimony in favor of the bill."

Approved unanimously.

Letter to the Honorable Harry B. Mitchell, President of the Civil Service Commission, Washington, D. C., reading as follows:

"In recent discussions with Mr. James E. Hatcher, Chief of Investigations Division, Civil Service Commission, and members of his staff, it was suggested that we advise you of the procedures established by the Board in conducting the Federal Employees' Loyalty Program.

"The Board's Division of Personnel Administration has been designated as the unit to conduct the necessary loyalty investigations of new employees and it makes all such investigations other than full field investigations which of course are made by the Federal Bureau of Investigation. In the case of all new employees this Division obtains a Standard Form 86, 'Fingerprint Chart,' and Standard Form 84, 'Request for Report on Loyalty Data,' and forwards the required copies of these forms to the Federal Bureau of Investigation. Standard Form 79, 'Notice of Personnel Investigation,' is forwarded in duplicate to the Investigations Division of the Civil Service Commission. Record checks and inquiries as specified in Section 3 or Part 1 of Executive Order 9835 are made of all new employees.

"The Division of Personnel Administration obtained Standard Forms 86 and 84 from all incumbent employees on

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"the rolls of this agency on September 30, 1947, and these forms were sent to the Federal Bureau of Investigation.

"The Board of Governors of the Federal Reserve System adopted procedures for the administration of the Employees' Loyalty Program conforming to the suggestions made by the staff of the Loyalty Review Board. A copy of such procedures is enclosed herewith. Any derogatory information received from the Federal Bureau of Investigation, the Civil Service Commission, or other reliable sources with respect to the loyalty of an officer or employee of the Board of Governors is considered by the Loyalty Board appointed by the Board of Governors as provided in the established procedure. The Loyalty Board considers all such cases in accordance with the Executive Order and the regulations and directives of the Loyalty Review Board. Closed case reports on Standard Form 98 are submitted to the Loyalty Review Board. Monthly reports on loyalty cases are submitted to the Loyalty Review Board in accordance with its memorandum No. 20.

"As stated in our letter to you of March 31, 1948, the employees of the Board are in a somewhat different status from those of other agencies. The Board, however, has adopted the procedures referred to above in order to comply with the Federal Employees' Loyalty Program as outlined in Executive Order No. 9835, and we propose to continue these procedures.

"We appreciate the cooperation which Mr. James E. Hatcher and members of his staff have given to our staff."

Approved unanimously.

Memorandum dated August 17, 1949, from Mr. Thomas, Director of the Division of Research and Statistics, reading as follows:

"A study of a program contemplated by bill S. 1160-- Missouri Valley Authority Act--has been completed by an ad hoc subcommittee of the System Research Advisory Committee in accordance with the Board's action of March 11, 1949. In the meantime, we have determined, however, that no further consideration is to be given this bill during the current session of Congress. Therefore, while the material on which to base further comment by the Board is

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"available in the event it is needed, it is recommended that no reply beyond the Board's letter of March 11, 1949, be sent to the committee at this time."

Approved unanimously.

Letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"This refers to Mr. Sheehan's letter of August 11, 1949, enclosing a copy of a letter from Messrs. Bleakley, Platt, Gilchrist & Walker, dated August 2, 1949, and enclosures, requesting a formal ruling of the Board as to whether the service of Dr. Max Winkler as a director of National Securities & Research Corporation and as a director of the National Bronx Bank of New York is prohibited by section 32 of the Banking Act of 1933.

"The information enclosed with Mr. Sheehan's letter indicates that National Securities & Research Corporation manages and supervises the portfolios of a number of trust funds; that among other things, it acts as investment manager, sponsor and underwriter of First Mutual Trust Fund and National Securities Series, both of which appear to be open-end investment trusts; that a substantial part of the income of National Securities & Research Corporation is derived from these two investment trusts; and that for the year ended April 30, 1948, about 56 percent of the income of National Securities & Research Corporation was derived from underwriting fees. On the basis of these facts it appears that National Securities & Research Corporation is primarily engaged in the underwriting or distribution of securities within the meaning of section 32 of the Banking Act of 1933.

"It will be appreciated if your bank will advise Messrs. Bleakley, Platt, Gilchrist & Walker of the Board's views in this matter and advise them also that, if they so desire, they may have an opportunity to present any additional information to your bank for transmission to and consideration by the Board of Governors. In the event it is not desired to pursue the matter further you may suggest to them that steps be taken to bring Dr. Winkler's interlocking relationship into conformity with the statute."

Approved unanimously.

