

A meeting of the Executive Committee of the Federal Reserve Board with representatives of the Industrial Advisory Committees of the twelve Federal Reserve Districts was held in Washington on Thursday, September 27, 1934, at 10:00 a. m.

PRESENT: Mr. Szymczak, Presiding
Mr. James
Mr. O'Connor

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Smead, Chief, Division of Bank
Operations
Mr. Paulger, Chief, Division of
Examinations
Mr. Vest, Assistant Counsel
Mr. Boatwright, Assistant Counsel

ALSO PRESENT: Mr. Stevens, Federal Reserve Agent at the
Federal Reserve Bank of Chicago
Mr. Calkins, Governor of the Federal Reserve
Bank of San Francisco
Mr. E. G. Hult, Assistant Cashier of the
Federal Reserve Bank of Boston
Messrs. Albert M. Creighton, Wm. H. Pouch,
J. Ebert Butterworth, J. G. Holtzclaw,
John Sanford, Max Epstein, Wm. K. Norris,
Sheldon V. Wood, and Clarence Ousley,
Chairmen of the Industrial Advisory Com-
mittees of the First, Second, Third, Fifth,
Sixth, Seventh, Eighth, Ninth, and Eleventh
Federal Reserve Districts, respectively.
Messrs. Frank B. Bell and L. F. Rooney, mem-
bers of the Industrial Advisory Committees
of the Fourth and Tenth Federal Reserve
Districts, respectively.
Mr. Jacob Viner, Assistant to the Secretary
of the Treasury

Mr. Szymczak stated that Mr. Thomas, Vice Governor of the Board, and Mr. Hamlin, the other appointive member of the Board who is in Wash-
ington, were engaged in another meeting and would be unable to meet with
the representatives of the Industrial Advisory Committees this morning,
and that Mr. Thomas had requested him to take charge of the meeting.

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Mr. Szymczak made a statement as to the purpose for which the representatives of the Industrial Advisory Committees had been invited to Washington and he referred to several matters which he felt should be given consideration by the Industrial Advisory Committees in connection with the industrial loan activity.

At the close of Mr. Szymczak's statement, Mr. Morgenthau, Chairman of the Board, joined the meeting. He stated that inasmuch as his time was limited, he would appreciate it very much if each of the representatives of the Industrial Advisory Committees would make a short statement with regard to the industrial loan activity in his district.

Brief statements were made by each of the representatives present and by Governor Calkins, representing the Twelfth Federal Reserve District, and at the conclusion of the statements and the questions which were asked by members of the Board in connection therewith, Mr. Morgenthau left the meeting and shortly thereafter Mr. Viner left.

A short statement was made by Mr. James with regard to industrial loans.

Mr. Szymczak made the suggestion that the Industrial Advisory Committees give consideration to whether any changes should be made in the law with regard to industrial advances by Federal reserve banks and Mr. James raised the question as to compensation for members of the Industrial Advisory Committees for their services.

In this connection the representatives indicated that they felt that any suggestions in regard to compensation should come from the Federal reserve banks.

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During the meeting the request was made by one of the representatives of the Industrial Advisory Committees that a summary statement of this meeting be sent to each of the representatives present and Mr. Szymczak said that this would be done. Such a statement giving in more detail the matters covered in the statements by Messrs. Szymczak and James and by the representatives of the Industrial Advisory Committees will be found in the Board's files.

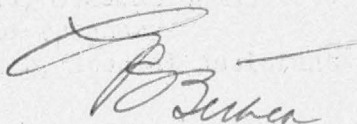
Reference was made to the possible criticism by examiners of industrial loans and participations therein by banks, and the statement was made that some banks hesitate to make such loans or to participate therein for the reason that they do not want to show indebtedness to the Federal reserve bank. Mr. Smead pointed out that commitments by Federal reserve banks to rediscount industrial loans made by commercial banks create no indebtedness to the reserve banks, and if a commercial bank participates in a loan to the extent of 20% or more and the Federal reserve bank takes the balance, the participations would be treated as a loan by the commercial bank and carried in its loans account, and there would be no reference in its statement to the part of the loan taken by the Federal reserve bank. Some of the representatives stated that they felt the banks did not understand these points or the fact that the Comptroller of the Currency has provided for the listing by examiners of industrial loans by national banks in a separate schedule, and they expressed the opinion that it was important that the information be sent to the banks. Mr. Szymczak stated that the Board would give consideration to the preparation of a statement with regard to the points referred to, to be sent to member banks.

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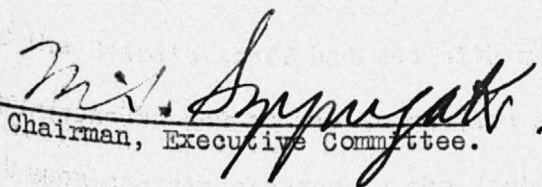
Mr. Szymczak expressed the appreciation of the Federal Reserve Board of the willingness of the members of the Industrial Advisory Committees to give so much of their time to this work and he thanked the representatives for their visit to Washington. He suggested that the representatives meet again at 2:00 p. m. this afternoon to discuss the topics on a program which had been prepared for their consideration and any other phase of their industrial loan activities and to formulate any recommendations or suggestions they may wish to make.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman, Executive Committee.