

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-9073

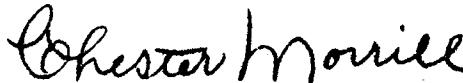
January 2, 1935

Dear Sir:

There is inclosed, for your information, copy of a letter dated December 14, 1934, addressed to the Federal Reserve Board by Deputy Governor Fleming of the Federal Reserve Bank of Cleveland, outlining the procedure followed by the Federal reserve bank in handling applications for industrial advances under the provisions of Section 13b of the Federal Reserve Act.

The Board feels that the procedure outlined by Mr. Fleming is substantially in accord with the views expressed by the Board in its letter dated November 1, 1934 (X-9006), with reference to the exercise of independent judgment by the respective industrial advisory committees.

Very truly yours,



Chester Morrill,  
Secretary.

Inclosure.

TO GOVERNORS AND AGENTS OF ALL F. R. BANKS.

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FEDERAL RESERVE BANK  
of Cleveland

December 14, 1934

Federal Reserve Board,  
Washington, D. C.

Gentlemen: Attention: Mr. M. S. Szymczak.

In accordance with our interpretation of paragraph "D" of Section 13b of the Federal Reserve Act, as amended, and pursuant to the instructions of the Federal Reserve Board in its Regulation S, Series of 1934, the Federal Reserve Bank of Cleveland has duly appointed an Industrial Advisory Committee. While paragraph "D" is definite as to the functions of this Committee, there has been some discussion in the Executive Committee regarding the formal separation of the activities of the Industrial Advisory Committee from those of the Federal Reserve Bank which has been established.

The Committee has asked me to write you outlining our procedure and request a statement as to whether or not this is in accordance with the Board's interpretation of the law. It will be greatly appreciated if this request is given consideration by the Board. The following is a statement of the organization and procedure for considering applications for loans submitted to the Federal Reserve Bank of Cleveland under the provisions of Section 13b:

All applications are received and acknowledged by the Federal Reserve Bank. After applications have been numbered and recorded they are presented to the Industrial Advisory Committee with letters of transmittal signed by a senior officer of the bank. From the time of delivery until applications are returned to the bank with recommendations from the Industrial Advisory Committee the bank has nothing to do with the applications.

The Industrial Advisory Committee has appointed an Executive Secretary who has been instructed by the Committee to receive from the Federal Reserve Bank applications submitted for advances under the provisions of Section 13b, and preliminary to presenting these applications to the Committee for its recommendation he causes to be made such investigations of the applicants and their affairs as may be necessary to enable the Industrial Advisory Committee to make intelligent recommendations to the Federal Reserve Bank.

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Mr. Szymczak,  
Federal Reserve Board

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When sufficient information has been assembled by the staff of the Industrial Advisory Committee to enable the Committee to make an intelligent recommendation regarding an application for a loan, the docket containing the reports, as well as other credit information and memoranda of personal interviews, is delivered to the Chief Investigator for assignment to an investigator who organizes and prepares a report. This report sets forth the principal factors about the applicant which should be considered by the Advisory Committee and by the Executive Committee in determining whether or not a loan should be recommended and authorized.

All reports are dittoed and considered by the Review Committee, consisting of the Executive Secretary, Assistant to the Executive Secretary, Chief of Fieldmen, and Chief Investigator. The Review Committee expresses in written form its opinion as to whether a loan may be made on a sound and reasonable basis. If it believes a loan can be made, it suggests the collateral which should be tendered and the conditions which should be imposed prior to disbursement. Where the conditions set forth are materially different from those contained in the application, the applicant is either called by telephone or written to come in to the office to determine whether or not such conditions are acceptable and can be complied with. The Review Committee does not make recommendations.

The clerk in charge of records then prepares a letter of transmittal for each docket to be presented to the Industrial Advisory Committee. Copies of investigator's report and the report of the Review Committee are put in loose-leaf binders and each member of the Industrial Advisory Committee has for his information a binder containing these reports. This Committee meets each Wednesday morning at nine-thirty. The Industrial Advisory Committee recommends that applications be approved or declined, eliminates, adds, or makes adjustments in the conditions suggested by the Review Committee. The letter of transmittal is then signed by each member of the Advisory Committee, and the docket is returned to the Federal Reserve Bank with a recommendation. Reports and information regarding applicants are not seen by the Industrial Advisory Committee until they assemble at the time of the meeting. Members of the Committee do not take any reports away from the bank.

After action of the Advisory Committee has been posted on the records of the Advisory Committee staff, the docket is delivered to the Deputy Governor in charge of loans and discounts for presentation to the Executive Committee of the Federal Reserve Bank. The Executive Committee accepts the findings of fact of the staff of the Industrial Advisory Committee and considers the recommendations of the Advisory Committee. It takes final action on all applications, such action

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later being reported to the Board of Directors. Dockets are sent to the Closing Department after they are acted upon by the Executive Committee.

You will note from the foregoing that it is our aim to have our Advisory Committee and its organization independent of the bank. The bank does not enter into any deliberations in connection with an application before final recommendations are made for approval or disapproval by the Advisory Committee.

Very truly yours,

(Signed) M. J. Fleming  
Deputy Governor