

FEDERAL RESERVE BANK
OF DALLAS

Circular No. 17,
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BANKERS ACCEPTANCES

April 9th, 1918

TO ACCEPTING BANKS:

Certain questions have arisen with respect to the authority of member banks under the Act and the regulations to accept drafts involving the importation or exportation of goods when the transactions on their face or in their nature are not so clear-cut and specific as to leave no question of eligibility, and where other evidence is needed to enable the Federal Reserve Bank to determine eligibility.

The matter was submitted to the Federal Reserve Board, and we give below for your information and guidance, the ruling of the Board.

Please observe that a contract should be entered into by the drawer of the draft with the accepting bank in such cases (a contract should be made in all cases where acceptances are granted), which should be submitted to the Federal Reserve Bank, if called for, when acceptances are offered for rediscount or purchase.

Respectfully,

R. L. VAN ZANDT,

Governor.

"It appears that certain dealers in staples who have a large domestic business are under contract to export food to the allies. The question has arisen to what extent and under what circumstances member banks may accept drafts or bills or exchange drawn by such dealers.

(1) Where the drafts are drawn in a domestic transaction, under section 13, they must be accompanied by shipping documents or the bank must be secured at the time of acceptance by a warehouse receipt or other similar document conveying or securing title to the goods involved.

(2) Where the draft grows out of a particular transaction involving the export of goods the regulations of the Board require that the bill must have been drawn under a credit opened for the purpose of conducting or settling accounts resulting from such transactions.

In other words, it must appear that the bill is drawn and the proceeds are used in connection with the export transaction. The Federal Reserve Bank must be satisfied either by reference to the acceptance itself or otherwise that it is eligible for rediscount. Satisfactory evidence of the eligibility may consist of a stamp or certificate affixed by the acceptor in form satisfactory to the Federal Reserve Bank.

In the case under consideration it is assumed that the dealer is engaged in the purchase of goods for export and is purchasing the same character and class of goods for domestic use. Some difficulty may be encountered, therefore, in ascertaining whether the goods purchased in any particular transaction are to be used for exports or for domestic consumption.

You have asked that consideration be given to the question of what evidence the accepting bank should require if the acceptance grows out of a transaction involving the export of goods and what form this evidence should take.