

**FEDERAL RESERVE BANK  
OF DALLAS**

**Circular No. 5  
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Dallas, Texas, December 9, 1927.

**RULING ADOPTED BY FEDERAL RESERVE BOARD  
NOVEMBER 28, 1927**

**Acceptances growing out of transactions involving the importation or exportation of goods.**

**To the Member Bank Addressed:**

For your information, we quote below the ruling above referred to:

“In a number of rulings published heretofore, the Federal Reserve Board has ruled in effect that a bill cannot be eligible for acceptance by a member bank or for rediscount or purchase by a Federal reserve bank as a banker’s acceptance growing out of the importation or exportation of goods if it is accepted after the goods have reached their destination.

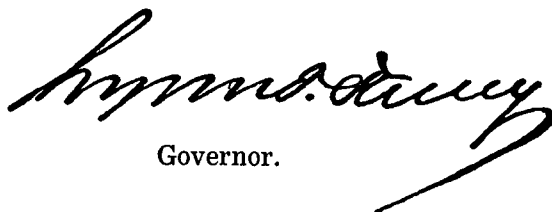
After careful reconsideration of this question, the Board is of the opinion that such rulings contain an unnecessarily strict interpretation of that provision of the Federal Reserve Act which authorizes member banks to accept drafts drawn upon them ‘which grow out of transactions involving the importation or exportation of goods’ and which authorizes Federal reserve banks to rediscount such acceptances. The Board is now of the opinion that the broad language of this provision of the Act is clearly susceptible of a more liberal interpretation which would facilitate the financing of our foreign trade and particularly the sale of American goods abroad under circumstances similar to those described in the ruling published on page 638 of the Federal Reserve Bulletin for August, 1924.

The Board, therefore, rules that bankers’ acceptances may properly be considered as growing out of transactions involving the importation or exportation of goods when drawn for the purpose of financing the sale and distribution on usual credit terms of imported or exported goods into the channels of trade, whether or not the bills are accepted after the physical importation or exportation has been completed.

Due care should be observed, however, to prevent a duplication of financing; and a second acceptance arising out of the same transaction or series of transactions involving the same goods should be in effect merely an extension of an already existing credit. Thus, if one acceptance is issued to finance the shipment of goods to a foreign country and a second acceptance is issued to finance the distribution of such goods into the channels of trade, the proceeds of the second acceptance should be used to retire the first acceptance. Under no circumstances should there be outstanding at any time more than one acceptance against the same goods.

All previous rulings in conflict with this ruling are hereby reversed in so far as they conflict with this ruling.”

Yours very truly,



Governor.