

4

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, July 2, 1924.

PRESENT: Governor Crissinger
Mr. Miller
Mr. James
Mr. Eddy, Secretary
ALSO PRESENT: Mr. Kenzel, Deputy Governor, Federal Reserve Bank of New York
Mr. Wyatt, General Counsel of the Federal Reserve Board
Mr. Freeman, Assistant Counsel of the Federal Reserve Board

The Law Committee submitted draft of a letter dated July 2nd addressed to Mr. E. R. Kenzel, Deputy Governor of the Federal Reserve Bank of New York, in answer to his letter to the Board dated May 1st in which he proposed a method of financing sales of cotton in Germany by American Bankers' acceptances, which would be eligible for discount by Federal reserve banks; the proposed letter stating that there is nothing in the law or the Board's regulations which precludes the establishment of acceptance credits in the United States secured by cotton in warehouses in Germany, with the substitution of trade acceptances as security when the cotton has been sold out of the warehouse and delivered to buyers. The proposed letter pointing out that the Board's requirement, in order for an acceptance covering the storage of readily marketable staples to be eligible for rediscount by Federal reserve banks, is that the acceptor must remain secured throughout the life of the acceptance, and the Board's ruling that a trade acceptance after acceptance by the drawee constitutes "actual security" within the meaning of the provision of Section 13 of the Federal Reserve Act, and that such acceptances might be substituted for the warehouse receipt covering the cotton subsequent

7/2/24

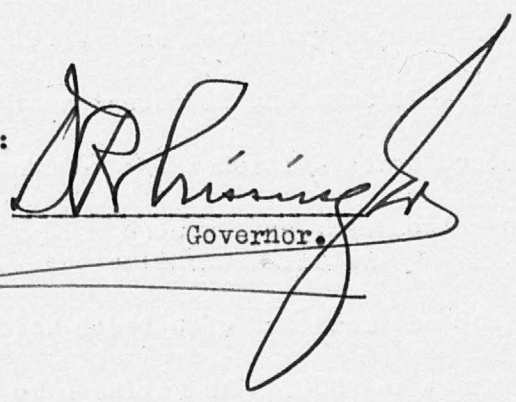
-2-

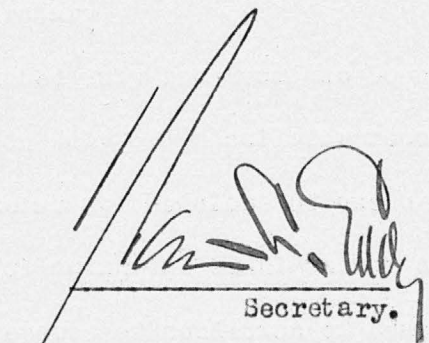
to the acceptance of the bankers' acceptance drawn to finance the storage thereof.

Approved.

The meeting adjourned at 4:30 p.m.

Approved:


Governor.


Secretary.