

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, November 28, 1927 at 12:00 o'clock noon.

PRESENT: Governor Young
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. Eddy, Secretary
Mr. McClelland, Asst. Secretary

PRESENT ALSO: Mr. Wyatt, General Counsel

The minutes of the meeting of the Federal Reserve Board held on November 26th were read and approved.

Letter dated November 17th from the Chairman of the Federal Reserve Bank of San Francisco, advising that at the meeting of the Board of Directors of the bank held on that date it was voted, subject to the approval of the Federal Reserve Board, that the number of directors of each of the five branches of the Federal Reserve Bank of San Francisco be reduced from seven to five, beginning January 1, 1928 and stating that this action was taken in accordance with the Board's letter of January 29, 1926 (X-4516) providing that Boards of Directors of Federal Reserve branch banks shall consist either of seven members or of five members, as may be determined by the Federal Reserve bank of the district concerned, subject to the approval of the Federal Reserve Board.

Upon motion, it was voted to approve the action of the directors of the Federal Reserve Bank of San Francisco.

Letter dated November 23rd from the Federal Reserve Agent at San Francisco, transmitting report by Counsel for that bank with respect to the application of the statute of limitations to apparent violations of

11/28/27

-2-

Federal Statutes by officers of the former Pacific Southwest Trust and Savings Bank; the bank's Counsel pointing out that the statute of limitations expires at the end of three years from the time the offenses were committed, but suggesting on account of the necessity of presenting the matter to the Grand Jury, which meets only twice a year, that action should be taken before July 1, 1929.

Noted.

At the request of the Governor, Mr. Wyatt then discussed with the members of the Board his memorandum of November 1, 1927 submitting a proposed ruling with respect to acceptances growing out of transactions involving the importation or exportation of goods, prepared along the lines of the recommendation contained in the report addressed to the Board under date of October 1, 1927 by the Sub-committee of the General Acceptance Committee. Mr. Wyatt also referred to the action of the Federal Advisory Council, to which the matter was referred, in approving the proposed new ruling but suggesting that the Board either amend it or advise the Acceptance Committee to so administer it that due care be taken that no duplication of financing occur and that a second acceptance be in effect merely an extension of an already existing credit.

After a detailed discussion, it was voted to adopt the ruling in the following form, Mr. Miller requesting to be recorded as voting "no":

"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."

REPORTS OF STANDING COMMITTEES:

Dated, November 26th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

Dated, November 22nd, Recommending action on an application for admission of a state bank, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

11/28/27

-4-

REPORTS OF STANDING COMMITTEES:

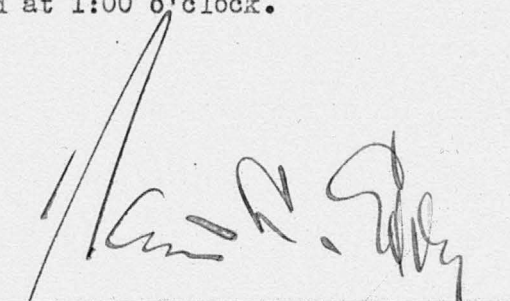
Dated, November 25th, Recommending approval of the application of Mr. Hugh Blair-Smith for permission to serve at the same time as director of the Seaboard National Bank, New York, N. Y., as director of the National Shawmut Bank, Boston, Mass., and as Vice President and director of the Citizens National Bank and Trust Company, Englewood, N. J.

Recommendation approved.

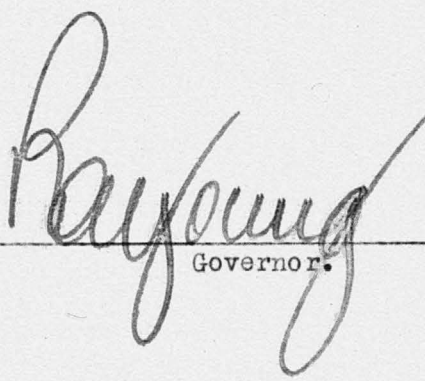
Dated, November 28th, Recommending approval of the application of Mr. A. N. Sicard for permission to serve at the same time as officer and director of the First National Bank, Fort Smith, Arkansas and as officer and director of the Hartshorne National Bank, Hartshorne, Okla.

Recommendation approved.

The meeting adjourned at 1:00 o'clock.


Secretary.

Approved:


Governor.