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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

March 14, 1919.

X-1424

SUBJECT: Trade acceptances by the Railroad Administration.

Dear Sir:

You are requested to bring to the immediate attention of your Executive Committee, and of your board of directors at the next meeting, the enclosed copies of correspondence between the Director General of Railroads and the Federal Reserve Board.

Very truly yours,

Governor.

X-1424a

Federal Reserve Board
Washington, D. C.

March 14, 1919.

Sirs:

In considering the means for financing current requirements of the Director General of Railroads and of the several railroad corporations whose property is under Federal control, the question has arisen whether the Federal Reserve Banks may properly rediscount for member banks, drafts discounted by them drawn upon the Director General of Railroads by manufacturers, dealers or furnishers, whether individual or corporate, of equipment, material or supplies to cover the cost of equipment, material or supplies of any character whatsoever, to be used by the Director General upon or in connection with properties subject to Federal control, sold to the Director General of Railroads, when accepted by the Director General of Railroads.

I should like to have the ruling of your board on this question.

I have been advised by my General Counsel that under the Proclamations of the President and the Acts of Congress thereunto enabling, affecting the Federal control of railroads and systems of transportation, I have authority to make such acceptance as Director General of Railroads.

Truly yours,

WALKER D. HINES

Director General of Railroads.

APPROVED

JOHN BARTON PAYNE

General Counsel.

FEDERAL RESERVE BOARD

Washington, March 13, 1919.

Director General of Railroads,
Washington, D. C.

Sir:

The Federal Reserve Board has received and considered your letter of March 13th in which you ask to be advised whether or not Federal reserve banks may properly rediscount drafts drawn by manufacturers, equipment, material and supply men, individuals or corporations, upon the Director General of Railroads to cover the cost of equipment, material, or supplies sold to the Director General of Railroads, when such drafts have been accepted by the Director General of Railroads and offered for rediscount by a member bank.

Under the provisions of Section 13 of the Federal Reserve Act, and the regulations of the Federal Reserve Board issued in pursuance thereof, Federal reserve banks may properly rediscount for their member banks drafts, commonly referred to as trade acceptances, drawn by the seller upon the purchaser of goods sold and accepted by such purchaser, provided, such drafts have a maturity at the time of discount by the Federal reserve banks of not more than ninety days exclusive of days of grace, and, provided, that they otherwise conform to the provisions of law and the regulations of the Federal Reserve Board.

It is the opinion of the Federal Reserve Board, therefore, that subject to the limitations of the Federal Reserve Act drafts drawn and accepted under the circumstances set forth in your letter are eligible for rediscount by Federal reserve banks at the prevailing rates of discount for trade acceptances.

Respectfully,

W. P. G. HARDING.

Governor.