

EX OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

WASHINGTON

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN
HENRY A. MOEHLERPAH

W. T. CHAPMAN, SECRETARY
R. G. EMERSON, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

December 18, 1919.

X-1764

Subject: Usages of Trade in Foreign Countries.

Dear Sirs:-

Section 13 of the Federal Reserve Act provides that "any member bank may accept drafts or bills of exchange drawn upon it having not more than three months sight to run, exclusive of days of grace, drawn, under regulations to be prescribed by the Federal Reserve Board, by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange as required by the usages of trade in the respective countries, dependencies or insular possessions."

Under this authority the Board has from time to time determined that the usages of trade in the countries, dependencies or insular possessions listed below require the granting of acceptance facilities for the purpose of creating dollar exchange.

The Board is now engaged in revising the list.

As an institution familiar with the usages of trade in the respective countries, dependencies and possessions, listed below, the Federal Reserve Board would be glad to receive from you such information as may be in your possession as to the usages of trade in each such country, so far as such usages may affect the rulings of the Board in respect of drafts drawn for the purpose of furnishing dollar exchange. The Board is under the impression that in some of these countries the usages of trade do not now require the facilities authorized by Section 13 for the purpose of furnishing dollar exchange, and that the Regulations of the Board in this respect require careful revision in order that bills drawn under the said provisions of Section 13 shall not in effect become mere finance bills.

As bearing on the purpose of the quoted provisions of Section 13, your attention is directed to pages 565 and 566 of the Federal Reserve Bulletin of December 1, 1916, from which the following quotation is made:

"The purpose of this Act and the regulation made pursuant thereto was to enable the American banks to provide dollar exchange in countries where the check is not the current means of remittance in payment of foreign debts, but where the three months' bankers' draft is generally used for that purpose.

" * * * * * The Board is informed that the bankers' custom of selling three months' drafts in preference to checks originated in countries where the mail connections were irregular and the foreign exchange market was a limited one, and where it would have been difficult for the drawing banker to be certain that he could find a cover against the checks drawn by him in time to forward it by the same mail, whereas, in drawing a three months' draft he would feel assured of being able to forward remittances before his obligation fell due."

The following is a complete list of all the countries which have been designated by the Board as countries in which banks or bankers may draw drafts or bills of exchange on member banks approved by the Board for the purpose of furnishing dollar exchange:

SOUTH AMERICA

- | | |
|-----------|----------------|
| Argentina | Colombia |
| Bolivia | Ecuador |
| Brazil | Paraguay |
| Chile | British Guiana |
| Peru | Dutch Guiana |
| Venezuela | French Guiana |
| | Uruguay |

CENTRAL AMERICA

- | | |
|---------------|------------------|
| Costa Rica | British Honduras |
| Guatemala | Nicaragua |
| Honduras | Panama |
| | San Salvador |
| Porto Rico | Trinidad |
| Santo Domingo | Cuba |

I am,

Very truly yours,

Governor.

Letter sent to list of banks engaged in foreign business.