

FEDERAL RESERVE BOARD

WASHINGTON

X-3000

December 23, 1920.

SUBJECT: Shipping Documents to be Furnished
to Bank Accepting Drafts Growing Out
of Export or Import Transactions.

Dear Sir:

Sub-division (b) (1) of Section B of Regulation A of the Board's Regulations, Series of 1920, relating to the eligibility of bankers' acceptances, growing out of export or import transactions, provides in part as follows:

"While it is not necessary that shipping documents covering goods in the process of shipment be attached to drafts drawn for the purpose of financing the exportation or importation of goods, and while it is not essential, therefore, that each such draft cover specific goods actually in existence at the time of acceptance, nevertheless, it is essential as a prerequisite to eligibility either (a) that shipping documents or a documentary export draft be attached at the time the draft is presented for acceptance, or (b) if the goods covered by the credit have not been actually shipped, that there be in existence a specific and bona fide contract providing for the exportation or importation of such goods at or within a specified and reasonable time and that the customer agree that the accepting bank will be furnished in due course with shipping documents covering such goods or with exchange arising out of the transaction being financed by the credit".

The question has been raised as to the precise meaning of the term "shipping documents" as used in this provision of the Board's regulation, and the Board has ruled that the term includes an order bill of lading or a straight bill of lading, whichever is issued by the carrier in the particular case, but does not include freight re-

ceipts which the Board understands merely evidence the receipt of the goods but are not required to be returned to the carrier upon the delivery of the goods. The purpose of the requirement that the accepting bank shall be furnished with shipping documents is not merely evidentiary, but is also to put the accepting bank in possession of the documents which the carrier will require as a condition precedent to the delivery of the goods, in order that the bank may be in a position to protect itself by requiring that it be put in funds or furnished with other security when it releases the documents. The customer must, therefore, furnish the original bills of lading and the requirement of the regulation will not be satisfied by the furnishing of freight receipts or non-negotiable copies of the bills of lading. This, however, does not necessarily mean that the bills of lading must be sent to the accepting bank. The Board has ruled in connection with domestic acceptances that documents are legally in the possession of the accepting bank when they are held by its correspondent, or by some other independent party, as its agent, and the principle of this ruling can be applied in dealing with the shipping documents to be furnished to banks accepting drafts drawn in foreign transactions.

Yours very truly,

G o v e r n o r .

To Governors and Chairmen
of Federal Reserve Banks.