

FEDERAL RESERVE BOARD

Statement for the Press

X-3370
March 27, 1922.

For immediate release.

The Federal Reserve Board sent the following telegram to all Federal Reserve Banks today:

"Without authorization from Board certain press notices have appeared regarding new regulation as to eligibility of bankers' acceptances in export and import transactions. Board is today releasing the following information:

"Regulation A, Series of 1922, superseding Regulation A, Series of 1920, will be available for distribution probably March 29. That part of new regulation which relates to eligibility of bankers' acceptances in export and import transactions will read as follows:

"A Federal Reserve Bank may rediscount any such bill bearing the indorsement of a member bank and having a maturity at time of discount of not more than three months, exclusive of days of grace, which has been drawn under a credit opened for the purpose of conducting or settling accounts resulting from a transaction or transactions involving any one of the following:

(1) The shipment of goods between the United States and any foreign country, or between the United States and any of its dependencies or insular possessions, or between foreign countries."

The following is the Board's letter of transmittal which will accompany the new regulation:

- 2 -

'The Federal Reserve Board transmits herewith Regulation A, Series of 1922, superseding Regulation A, Series of 1920.

'No change has been made in the regulation except in that part which deals with bankers' acceptances growing out of the importation or exportation of goods, and that part has been simplified by the elimination of certain matter which appeared in the former regulation. It should be understood, however, that the Board's action in issuing the new regulation with this matter eliminated does not imply any change of view as to the meaning or proper construction of the law, or as to the broad principles which should govern the exercise of the acceptance privilege. The Board is not reversing or in any way modifying any of its former rulings as to bankers' acceptances growing out of the importation or exportation of goods in so far as these rulings have been interpretative of the law, or have laid down broad general principles, the observance of which is, as a result of long experience in the field of international banking, recognized as essential in the proper conduct of the acceptance business. The Board's action is intended merely to allow greater latitude to Federal Reserve Banks for the exercise, each in its own way, of their discretion and judgment, observing always, of course, the express and implied limitation of the law.

'Conditions affecting foreign trade at the present time are essentially different from those which led to the development of the former regulations. Prior to the enactment of the Federal Reserve Act, national banks were without authority to issue bankers' acceptances, and although some State banks had that power very few of them exercised it. During the war, however, there was a rapid growth of the acceptance business stimulated by the abnormal demand for goods and credits, and due to this rapid growth it became necessary for the Federal Reserve Board to make frequent rulings and periodically to issue regulations for the guidance of accepting banks and Federal Reserve Banks in this new field. Regulation A, Series of 1920, constituted the last definite step in the development of bankers' acceptance regulations designed primarily to meet the exigencies of the unusual conditions that existed during and for some time after the war, that regulation containing the substance of all the more important rulings previously issued by the Board.

'Those American banking institutions which have large demands for acceptance credits in foreign transactions have by this time had considerable experience in this field, and the former detailed regulations are no longer thought necessary. Moreover, it is believed that the general advancement of foreign trade, with the resulting benefit to the agricultural and commercial interests which are largely dependent upon foreign markets, can be furthered most effectually at the present time by the substitution of this simpler regulation applicable to acceptances in export and import transactions.

- 3 -

'The responsibility for passing upon the eligibility of bankers' acceptances offered to the Federal Reserve Banks for rediscount or purchase rests upon the Federal Reserve Banks themselves, and each bank should satisfy itself, in whatever way it deems appropriate, that the acceptances conform to the requirements of the law and the Board's regulation. The Federal Reserve Board will watch carefully the development of the acceptance business under this new regulation with a view of making any later modification that may seem necessary or advisable. The Board will call the attention of the Federal Reserve Banks to any apparent failure to comply with the law or abuse of the acceptance privilege and the Federal Reserve Banks will in turn be expected to keep the Board closely advised in regard to acceptance practices in their districts!

W. P. G. Harding,

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