

## FEDERAL RESERVE BOARD

## STATEMENT FOR THE PRESS

For immediate release,  
Friday, November 8, 1929.

The Federal Reserve Board has had under consideration the question whether drafts drawn in accordance with the following facts are eligible for acceptance by member banks under the provisions of Section 13 of the Federal Reserve Act:

A firm in New York City purchases certain staples from a seller in a western city who ships the same and draws a sight draft on the purchaser in New York with bill of lading attached. This draft and bill of lading attached are sent in the customary way to a bank in New York, Bank A, designated by the purchaser. The latter then draws a 90 day bill on Bank A, which is accepted by the bank, having at the time in its possession the bill of lading covering the staples in process of shipment. The acceptance is then discounted by the purchaser and the proceeds used to pay the sight draft and to obtain the release of the bill of lading. It does not require 90 days for the completion of the shipment of goods, only a relatively short time being necessary for this purpose. It was recommended to the Federal Reserve Board that the bill drawn by the purchaser be considered eligible for acceptance by Bank A when it has a maturity consistent with the usual and customary credit time prevailing in the particular business.

After a careful consideration of this question the Federal Reserve Board has ruled that a draft drawn by the purchaser of goods in accordance with the facts above stated is eligible for acceptance by a member bank when it has a maturity consistent with the usual and customary credit time prevailing in the particular business, provided that all other relevant requirements of the law and of the Board's regulations are complied with. Under the facts stated the accepting bank has possession of the bill of lading at the time of the acceptance of the draft drawn upon it, and this is believed to be a substantial compliance with the requirement of the law that shipping documents conveying or securing title be attached at the time of acceptance.

The ruling of the Federal Reserve Board set forth above may be in some respects inconsistent with previous rulings of the Board to the effect that bankers' acceptance credits should not be used for the purpose of furnishing working capital (See for example, 1920 Federal Reserve Bulletin, page 1301; 1923 Federal Reserve Bulletin, page 158.) Such previous rulings of the Board with regard to working capital may accordingly be regarded as superseded or qualified by the ruling contained herein to the extent of any such inconsistencies, but no further.