

## RULINGS OF THE FEDERAL RESERVE BOARD—LAW DEPARTMENT

### Paper arising out of automobile installment sales in foreign countries as a basis for bankers' acceptances

The Federal Reserve Board has recently been requested to make a ruling approving the use of bankers' acceptances in refinancing advances made by a foreign banking institution organized in this country to retail automobile dealers in foreign countries against installment paper taken by such dealers in the retail distribution of American automobiles abroad. Briefly stated, the paper arises in this way: Automobiles are shipped by an American manufacturer to a dealer abroad. The dealer resells the cars to customers on a deferred-payment plan, taking in payment installment notes or acceptances and retaining title to the cars until the last installment is paid. Against the notes or acceptances arising in this way the foreign banking institution makes advances aggregating 75 per cent of the face of the paper. In order to refinance itself the foreign banking institution desires that the retail paper arising in the manner stated should be considered a proper basis for an acceptance credit to be issued by member banks.

After a careful consideration of this question, the Federal Reserve Board has reached the conclusion that bankers' acceptances should not be used for this purpose. Under this proposal bankers' acceptances would be utilized to refinance the foreign banking institution in furnishing credit to foreign retail merchants against paper taken by such merchants from their customers. The Federal Reserve Board in 1927 made a ruling, published in the FEDERAL RESERVE BULLETIN of that year at page 861, holding that bankers' acceptances may be considered as growing out of import or export transactions when drawn for the purpose of financing the sale and distribution on usual credit terms of imported or exported goods into the channels of trade. That ruling was intended to permit the use of acceptance credits in the resale of imported or exported goods to manufacturers or merchants, but it did not contemplate the financing of the sale of goods by retailers to consumers. The present plan involves material departures from the customary use of bankers' acceptance credits as approved by the Federal Reserve Board and is inconsistent with the facilities afforded similar business in this country. The board believes that the use of bankers' acceptances in the

manner suggested would be unsound and undesirable.

The Federal Reserve Board, therefore, has decided not to approve the use of bankers' acceptances in refinancing advances made to retail dealers in foreign countries against installment paper taken by such dealers in the retail distribution of American goods abroad.

### Right of national bank having fiduciary authority to act as trustee in bankruptcy

Under the terms of section 11 (k) of the Federal reserve act, the Federal Reserve Board is authorized to permit a national bank, when not in contravention of State or local law, to act as trustee and to act in certain other fiduciary capacities. The question has been raised whether a national bank having such authority from the board pursuant to this statute, may act as trustee in bankruptcy under the provisions of the Federal bankruptcy act.

Trustees in bankruptcy are appointed by the creditors of the bankrupt or by the court to take charge of the bankrupt's estate. The trustees so appointed are vested by operation of law with title to the estate of the bankrupt and are required to collect and reduce to money the property of the estate and to close up the estate as expeditiously as is compatible with the best interests of the parties. The trustees are also required to keep regular accounts and pay dividends to the creditors of the estate as they are declared by a referee in bankruptcy and generally to have charge of the estate of the bankrupt until it is distributed among creditors of the bankrupt.

The courts have held that a trustee in bankruptcy is a "trustee" within the usual meaning of that term. (*McKeigue v. Chicago & North Western Railway Co.*, (Wis.) 110 Northwestern 384, and *In re Smith*, 121 Federal 1014.) In the light of these authorities and in view of the functions exercised by a trustee in bankruptcy, it is the opinion of the Federal Reserve Board that a trustee in bankruptcy is a trustee within the usual meaning of this term and within the meaning of this term as it is used in section 11 (k) of the Federal reserve act, and accordingly that a national bank which has received permission from the Federal Reserve Board to act as trustee generally, may act as trustee in bankruptcy under the provisions of the Federal

bankruptcy act, if to do so is not in contravention of the laws of the State in which such national bank is located.

**Joint-stock land banks excepted from Clayton Antitrust Act.**

Section 8 of the Clayton Antitrust Act, which prohibits interlocking directorates between banking institutions of certain specified classes, was amended by act of Congress approved March 2, 1929, so as to exempt from its provisions joint-stock land banks organized under the provisions of the Federal farm loan act and other banking institutions which do no commercial banking business. The text of the recent amendment is as follows:

[PUBLIC—No. 1007—70TH CONGRESS]  
[S. 4039]

AN ACT To exempt joint-stock land banks from the provisions of section 8 of the act entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October 15, 1914, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first proviso of the second paragraph of section 8 of the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October 15, 1914, as amended (United States Code, title 15, chapter 1, section 19), is amended to read as follows:

"Provided, That nothing in this section shall apply to mutual savings banks not having a capital stock represented by shares, to joint-stock land banks organized under the provisions of the Federal Farm Loan Act, or to other banking institutions which do no commercial banking business."

Approved, March 2, 1929.

**Changes in State Bank Membership**

The following list shows the changes affecting State bank membership during the month ended March 21, 1929, on which date 1,200 State institutions were members of the system:

ADMISSIONS

	Capital	Surplus	Total resources
<i>District No. 3</i>			
Integrity Trust Co., Philadelphia, Pa.-----	\$1,000,000	\$6,000,000	\$32,129,174
<i>District No. 4</i>			
Midland Bank, Cleveland, Ohio (succession to Midland Bank, member)-----	4,000,000	2,000,000	32,382,447
<i>District No. 7</i>			
Continental Illinois Bank & Trust Co., Chicago, Ill.-----	75,000,000	65,000,000	-----

ADMISSIONS—Continued

	Capital	Surplus	Total resources
<i>District No. 8</i>			
Peoples Trust Co., Little Rock, Ark.-----	\$300,000	\$100,000	\$3,873,286
Midland Savings Bank, St. Louis County, Mo.-----	30,000	12,500	85,267
<i>District No. 11</i>			
Mercantile Bank & Trust Co. of Texas, Dallas, Tex.-----	2,000,000	100,000	17,316,714
<i>District No. 12</i>			
First Security Bank, Boise, Idaho.---	150,000	100,000	4,810,085

CHANGES

<i>District No. 4</i>			
Midland Bank, Cleveland, Ohio (succeeded by Midland Bank, member)-----	\$2,000,000	\$1,000,000	\$28,284,983
<i>District No. 6</i>			
Middle Georgia Bank, Eatonton, Ga. (closed)-----	50,000	-----	241,000
<i>District No. 7</i>			
Illinois Merchants Trust Co., Chicago, Ill. (succeeded by Continental Illinois Bank & Trust Co., Chicago, a member)-----	15,000,000	30,000,000	434,966,241
Austin State Bank, Chicago, Ill. (voluntary withdrawal)-----	500,000	150,000	7,115,650
Griswold-First State Bank, Detroit, Mich. (consolidated with National Bank of Commerce, Detroit, Mich.)-----	5,000,000	2,500,000	52,546,125
<i>District No. 8</i>			
Union & Planters Bank & Trust Co., Memphis, Tenn. (succeeded by nonmember)-----	2,500,000	200,000	35,567,000
<i>District No. 11</i>			
Gray County State Bank, Pampa, Tex. (converted to Pampa National Bank)-----	50,000	6,000	1,219,521
Texas State Bank & Trust Co., San Antonio, Tex. (consolidated with nonmember)-----	300,000	36,000	2,702,000
<i>District No. 12</i>			
Farmers State Bank, Moro, Ore. (succeeded by nonmember)-----	45,000	7,000	214,777
Citizens Bank, Portland, Ore. (converted to Citizens National Bank)-----	200,000	30,000	4,558,529

**Fiduciary Powers Granted to National Banks**

During the month ended March 21, 1929, the Federal Reserve Board approved applications of the national banks listed below for permission to exercise one or more of the fiduciary powers named in section 11 (k) of the Federal reserve act as amended, as follows: (1) Trustee; (2) executor; (3) administrator; (4) registrar of stocks and bonds; (5) guardian of estates; (6) assignee; (7) receiver; (8) committee of estates of lunatics; (9) in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State in which the national bank is located.