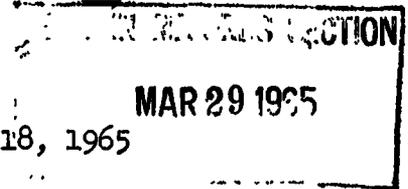


CONFIDENTIAL (FR)



To Federal Open Market Committee

March 18, 1965

From Robert W. Stone

Subject: Third Country Acceptances
Held by Federal Reserve
Bank of New York

At the last meeting of the Federal Open Market Committee the Manager was asked to report on the nature of transactions underlying bankers' acceptances held by the Federal Reserve Bank of New York. Table I attached shows the breakdown of holdings as of four specific dates, compared with the distribution of all outstanding acceptances as of February 28, 1965, the date of the most recent Monthly Survey of outstandings.

It will be seen that acceptances created to finance third country trade (goods stored in or shipped between foreign countries) ranged from 37.1 to 41.9 per cent of the Reserve Bank's own holdings, 38.2 to 45.2 per cent of holdings for foreign accounts, and 37.7 to 43.6 per cent of combined holdings. In comparison, third country trade accounted for 48.6 per cent of total acceptances outstanding on February 28, 1965.

A special inventory was taken of the New York Bank's holdings as of February 19, 1965 of acceptances involving third country trade. The purpose of the inventory was to help those responsible for implementing the voluntary credit restraint program to estimate to what extent third country acceptances are financing Japanese trade. The results indicated that, of the \$70 million such bills held, \$50 million represented the movement of goods either from or to Japan as shown below:

Holdings of Acceptances Arising From Shipments
Between Foreign Countries as of February 19, 1965
(In Thousands of Dollars)

	<u>Own Account</u>	<u>Foreign Account</u>	<u>Total</u>
Total holdings covering shipments between foreign countries	21,521	48,039	69,560
Exports from Japan	523	2,207	2,730
Imports into Japan	15,767	31,986	47,752

Federal Reserve Bank of New York by
 Type of Transaction
 (In Thousands of Dollars)

Held for Federal Reserve Bank of New York

	December 31, 1963	%	December 31, 1964	%	February 19, 1965	%	March 12, 1965	%	Total Acceptance Outstanding as of 2/28/65 %
Imports into U.S.	21,250	30.4	14,649	24.9	13,858	25.1	14,490	26.6	20.4
Exports from U.S.	17,098	24.4	15,478	26.3	16,213	29.4	16,132	29.6	28.4
Goods stored in or shipped between foreign countries	25,953	37.1	24,685	41.9	22,023	39.9	20,870	38.4	48.6
Domestic shipments and storage	2,237	3.2	1,011	1.7	1,048	1.9	693	1.3	0.8
Dollar exchange	1,600	2.3	2,250	3.8	750	1.4	550	1.0	1.8
Other	1,840	2.6	856	1.5	1,305	2.3	1,666	3.1	-
Total	<u>69,978</u>	<u>100.0</u>	<u>58,929</u>	<u>100.0</u>	<u>55,197</u>	<u>100.0</u>	<u>54,401</u>	<u>100.0</u>	<u>100.0</u>

Held for Foreign Accounts

Imports into U.S.	28,473	31.0	31,796	26.0	33,059	27.8	33,971	28.5
Exports from U.S.	23,341	25.4	29,834	24.4	29,577	24.9	28,530	23.8
Goods stored in or shipped between foreign countries	35,117	38.2	54,457	44.4	51,969	43.7	53,860	45.2
Domestic shipments and storage	1,418	1.6	2,880	2.4	1,561	1.3	1,267	1.1
Dollar exchange	1,500	1.6	2,850	2.3	1,300	1.1	100	0.1
Other	2,003	2.2	629	0.5	1,430	1.2	1,560	1.3
Total	<u>91,852</u>	<u>100.0</u>	<u>122,446</u>	<u>100.0</u>	<u>118,896</u>	<u>100.0</u>	<u>119,288</u>	<u>100.0</u>

Total Federal Reserve Bank of New York and Foreign Accounts

Imports into U.S.	49,723	30.7	46,444	25.6	46,916	26.9	48,460	27.9
Exports from U.S.	40,439	25.0	45,311	25.0	45,790	26.3	44,663	25.7
Goods stored in or shipped between foreign countries	61,070	37.7	79,143	43.6	73,993	42.5	74,730	43.0
Domestic shipments and storage	3,655	2.3	3,891	2.2	2,609	1.5	1,961	1.1
Dollar exchange	3,100	1.9	5,100	2.8	2,050	1.2	650	0.4
Other	3,842	2.4	1,486	0.8	2,735	1.6	3,226	1.9
Total	<u>161,829</u>	<u>100.0</u>	<u>181,375</u>	<u>100.0</u>	<u>174,093</u>	<u>100.0</u>	<u>173,690</u>	<u>100.0</u>