

Representative
The National City Bank
of New York

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CABLE ADDRESS "CITIBANK"

September 26, 1931.

Mr. Risto Ryti, Governor,
Finlands Bank,
Helsingfors.

Dear Governor Ryti,

During Mr. Ilves' recent stay in Berlin, I took the opportunity of telephoning you on several occasions for the purpose of obtaining your advice and information with regard to the question of establishing eligibility of Finnish timber drafts under rules and regulations of the Federal Reserve Bank.

As you will understand and I have already explained to Dr. Ilves in our conversations, the reason for our renewing a discussion of this question is to be found in recent international developments which have caused some criticism of various bills which have been placed in circulation in the American market and the necessity of protecting all parties interested in this transaction against present and future criticism. As a result of our telephone conversations and of my discussions with Dr. Ilves, a series of cables was exchanged with my Head Office in New York and, in turn, provided a basis for obtaining the present opinion of the Federal Reserve Bank in New York.

The procedure which, it is now suggested, be followed in the continuation of this business is based upon the principles that a bona fide contract for exportation be in existence at the time that original drafts are drawn; that the initial drafts which cover the period of production of the commodity to be shipped in support of the export contract, be drawn for a period reasonably required to include exportation, but not exceeding six months; that if exportation^{is} not completed at the end of six months, new drafts may be drawn on a basis of export shipment and for a period not to exceed three months.

To provide a procedure which conforms to these principles, it seems to me that it would be desirable for the Finnish exporters who make use of such credits, to provide satisfactory undertakings in the form of a contract, entered into between each exporter and his bank in Finland, to export during the life of the agreement a specified minimum value of timber. This contract between exporter

and bank might properly also contain a provision that the undertaking would, in due course, be further supported by the submission of bona fide sales contracts between the Finnish exporter and foreign buyers. This arrangement would provide an eligible basis for initial drawings which should be made for a period to correspond with the actual time requirements, rather than for a shorter period, inasmuch as renewal of such bills is not permissible. On this basis, original drafts should be for six months. The drafts which might be drawn after the expiration of the original drawings, would properly be supported by export shipping documents which would be created and exhibited to the Finnish banks during the life of the respective drafts. While the period of actual use of acceptance credits by individual companies in Finland would, under the above arrangements, be limited to a continuous period not in excess of nine months, it is still proper for an American bank to enter into a contract with your bank, which would itself extend over a period of one year.

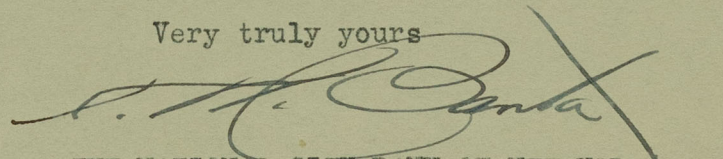
Dr. Ilves was kind enough to express the opinion that the conditions which have thus been established to provide eligibility and avoid eventual criticism even on technical grounds, is entirely feasible and can be made fully to serve the purpose which your bank has in mind. May I ask that you also give me the benefit of your opinion and an expression as to the probable requirements which you may have for financing on such a basis in the coming year.

For your information, I might suggest that we are desirous of continuing to cooperate with you in this financing and that we have in mind the possibility of entering into a contract similar to that which was executed between us under date of September 13, 1930. Under present conditions and a reduced price level, the amount required for such financing would be substantially lower than during the past year. The form of the contract would also be subject to such changes as might be necessary to bring it into full conformity with the principles of eligibility, as outlined above. There is also the possibility which has, as you know, been brought into effect in the greater portion of our European business, of recognizing the principle of direct indebtedness from the borrower to the eventual lender. This is a point which I mentioned to Dr. Ilves and which, we both believe, can be properly expressed in a contract without unusual disturbance to the Finnish banks' direct relationship with their own customer.

I shall very much appreciate your advices with regard to possibilities of making mutually satisfactory arrangements for the coming year and shall gladly consider any suggestions which you may wish to make.

With kind personal regards,

Very truly yours


THE NATIONAL CITY BANK OF NEW YORK
K. W. Banta,
Assistant Vice President.

KWB/A.