

FEDERAL RESERVE BANK
OF NEW YORK

NEW YORK, May 29, 1917.

COLLECTION OF TRADE ACCEPTANCES

TO THE CASHIER,

SIR:

The Trade Acceptance System is being rapidly adopted by commercial houses and it is probable, therefore, that trade acceptances will come into your hands in increasing numbers, for collection. It has come to our attention that some banks receiving trade acceptances for collection have failed to observe the character of the instrument and have handled them exactly as if they were ordinary unaccepted "collection drafts," and in some cases trade acceptances have been returned with such notations as "Never pays drafts," "No attention paid," and similar notations.

The fact should not be overlooked that a trade acceptance is an accepted draft which constitutes a valid promise to pay on a specified date—a negotiable instrument as binding upon the acceptor as his promissory note; and that all such items are, in fact, subject to protest unless otherwise instructed.

It should be sufficient to advise the drawee or acceptor that your bank holds his "trade acceptance," since no one is likely to have signed such an acceptance without recognizing its character. Care should be taken, however, when you notify the acceptor that you hold his acceptance, that he understands it is an ACCEPTED draft with a definite maturity.

Will you please see that this letter is brought to the attention of your Collection Department so that, in the interest of the good service which your bank of course wishes to render, you will be prepared to handle such items correctly whenever they reach your hands.

With full recognition of the importance of developing every available source of additional credit for use in the critical period upon which we are entering, may we suggest that you also use your influence with commercial houses to secure the adoption of the Trade Acceptance System in place of the open book account.

For your information we enclose sample form of Trade Acceptance.

Yours very truly,

R. H. TREMAN,

Deputy Governor.

TRADE ACCEPTANCE.

66

No. _____ Bank _____ 191 _____ \$ _____

After _____ pay to the order of OURSELVES
_____ Dollars.

The obligation of the acceptor hereof arises out of the purchase of goods from the drawer.

ACCEPTED

To _____

DATE _____ Payable at _____

Location of Bank

Signature

Due _____ 191 _____