

**FEDERAL RESERVE BANK
OF DALLAS**

Number 48.

Oct. 24th, 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.

In so far as possible, Trade Acceptances received by banks from their correspondents and customers for collection should be routed to the bank where they are payable in order to respect the wishes of the acceptor and by reason of the acceptor anticipating his trade acceptances outstanding being presented through banks at which he has indicated preference for their presentation. It is more likely that the acceptor has made arrangements at the bank where payable, in which event collections may be made with greater convenience and facility.

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.

Yours very truly,

R. L. VAN ZANDT,

GOVERNOR.