



FEDERAL RESERVE BANK
OF DALLAS

January 29, 1921.

SHIPPING DOCUMENTS TO BE FURNISHED TO BANK
ACCEPTING DRAFTS GROWING OUT OF EXPORT
OR IMPORT TRANSACTIONS.

There is quoted below the Federal Reserve Board's definition of shipping documents in connection with the eligibility of bankers' acceptances growing out of export and import transactions, which, in view of some question having been raised as to the precise meaning of the term "shipping documents," will no doubt be of interest to accepting banks in this territory.

"With reference to the meaning of 'shipping documents' as the term is used in the Board's Regulation A, Section B, subdivision (b) (2), the Board is of the opinion that the term includes an order bill of lading or a straight bill of lading, whichever is issued by the carrier in the particular case, but does not include freight receipts which the Board understands merely evidence the receipt of the goods, but are not required to be returned to the carrier upon the delivery of the goods. The purpose of the requirement that the accepting bank shall be furnished with shipping documents is not merely evidentiary, but is also to put the accepting bank in possession of the documents which the carrier will require as a condition precedent to the delivery of the goods, in order that the bank may be in a position to protect itself by requiring that it be put in funds or furnished with other security when it releases the documents. The customer must, therefore, furnish the original bills of lading and the requirement of the regulation will not be satisfied by the furnishing of freight receipts or non-negotiable copies of the bills of lading. This, however, does not necessarily mean that the bills of lading must be sent to the accepting bank. The Board has ruled in connection with domestic acceptances that documents are legally in possession of the accepting bank when they are held by its correspondent, or by some other independent party, as its agent, and the principle of this ruling can be applied in dealing with the shipping documents to be furnished to banks accepting drafts drawn in foreign transactions."

There is also enclosed herewith a form of request and indemnity for acceptance ordinarily referred to as an acceptance agreement, which has been approved by the Federal Reserve Board. As some few requests have been made of us for this form, we have concluded to send it to all accepting banks in the district.

Yours respectfully,

R. L. Van Zandt
Governor.

REQUEST AND INDEMNITY FOR ACCEPTANCE

Credit \$ 192
Due Date

Gentlemen:

We hand you herewith for acceptance the following described drafts drawn on you by us:

No. dated payable days after sight;
No. dated payable days after sight;
No. dated payable days after sight;

for the aggregate sum of \$....., the proceeds of which drafts are to be used by us for the purpose of conducting or settling accounts resulting from a transaction, or transactions, involving the shipment of goods between the United States and a foreign country, or between the United States and one of its dependencies, or insular possessions, or between foreign countries as hereinafter more particularly set out; and with reference thereto we certify as follows:

“(a) That we have entered into a specific and bona fide contract (other than a contract between us and our agent) providing for the
(exportation) of
(importation)
.....
.....

to the amount of \$....., said transaction to be completed on or before the day of....., 1921.

“(b) That the total amount of outstanding drafts drawn by us under credits opened to finance the exportation of goods under the contract above described shall at no time exceed the aggregate amount of the export transactions contracted for and in process of execution.

“(c) That the proceeds of drafts drawn against the accepting bank under this credit will be used to consummate the export contracts referred to, that we will furnish in due course to the accepting bank shipping documents covering such goods, and that the proceeds of the sale of the goods exported will be applied in liquidation of the acceptance credit.”

(over)

We hereby request you to accept the said drafts according to their tenor; and, in consideration of your so doing, we promise to pay to you, or your order, the face amount of said drafts, plus a commission to you of% thereof (together with interest at current rate, where chargeable) and sundry charges, in current funds, at your office intwo days prior to the respective dates of the maturity of said acceptances; and you are hereby authorized to charge to our account the amount of said acceptances and charges, at maturity, or prior to maturity, in the event you deem yourself for any reason insecure on account thereof.

We further declare that we have a good and free title to the merchandise described above and contracted to be exported, and that we will hold said merchandise and/or the proceeds thereof in trust for you as your property, and upon the understanding that we shall surrender the merchandise and/or the proceeds thereof, in whatever form they may be located, to you, on your notification, to be applied against this or any other obligation existing on our part to.....

We also agree to keep the merchandise represented by documents accompanying said drafts, if any, at all times fully covered by insurance, loss payable to.....
..... Bank, as your interest may appear.

To:

.....Bank.