



**FEDERAL RESERVE BANK
OF DALLAS**

Circular No. 17
Series 1922

August 25, 1922.

BILL OF LADING DRAFTS FOR REDISCOUNT

To the Member Bank Addressed:

This circular supersedes all previous circulars governing the rediscounting of bill of lading drafts.

Unless otherwise stated, the term, "Federal Reserve Bank of Dallas" includes the El Paso and Houston branches.

New Form of Application

With a view of facilitating the movement to market of the agricultural products of this district, and in order to simplify the rediscounting of bill of lading drafts drawn in connection therewith, a special application blank (Form L&D62) has been prepared, a copy which is hereto attached. This form should always be used when submitting bill of lading drafts for rediscount. A supply will be furnished upon request. Kindly give estimate of needs when ordering.

Eligibility

Bill of lading drafts offered for rediscount must have a definite maturity not in excess of ninety (90) days from date offered, and may be drawn payable "on or before" some specific date. Slip reading "Collect upon arrival of car" may be attached, but these instructions must not be incorporated in wording of draft itself.

Drafts must have attached, and be secured by, shipper's order negotiable bills of lading, properly endorsed, covering readily marketable products, and must be accompanied by instructions to surrender bills of lading only upon payment of drafts.

Drafts must bear the endorsement of the forwarding member bank, and should have affixed, and properly cancelled, the necessary amount of revenue stamps.

Bill of lading drafts which conform to the requirements above set forth and which evidence a sound credit risk, may be rediscounted for the unexpired time to maturity. *Drafts made payable at sight or on demand are not eligible* for rediscount, but may be sent to us for collection under the terms of our collection circular No. 15, Series 1922.

Terms and Conditions of Rediscount

Eligible bill of lading drafts which are accepted will be discounted with the distinct understanding that, if actually collected funds are not received by the Federal Reserve Bank of Dallas, in payment thereof, by the respective maturities, the amounts of such items may, at the option of the Federal Reserve Bank of Dallas, be charged to the account of the offering bank and the proceeds credited to said bank's account when received. Remittances in payment of bill of lading drafts that are not made in funds immediately available, will be deferred for the actual number of days that it takes to convert same into available funds.

All items accepted by the Federal Reserve Bank of Dallas are taken upon the express condition that in effecting collection, the Federal Reserve Bank of Dallas acts only as collection agent of the rediscounting bank and shall not be liable for the acts or omis-

....., 1922.

Subject to terms and conditions of your Circular No. 17, dated August 25, 1922, we offer herewith for rediscount and credit of proceeds to our reserve account, bill of lading drafts as listed below.

Bank of _____
(Name of Bank) (Location)

President.
Cashier.

(Sign here)

(List each item separately)

[illegible]

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Drafts must have attached, and be secured by, shipper's order negotiable bills of lading, properly endorsed, covering readily marketable products, and must be accompanied by instructions to surrender bills of lading only upon payment of drafts.

Drafts must bear the endorsement of the forwarding bank and must have affixed, and properly cancelled, revenue stamps at the rate of two cents per \$100.00 or fraction thereof.

*Where member banks desire drafts sent with protest instructions, this may be indicated by inserting the letter "P" opposite amount in small column provided for that purpose.

TERMS AND CONDITIONS OF REDISCOUNT

(Excerpt From Circular No. 17, Series 1922)

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All items accepted by the Federal Reserve Bank of Dallas are taken upon the express condition that in effecting collection, the Federal Reserve Bank of Dallas acts only as collection agent of the rediscounting bank and shall not be liable for the acts or omissions of any other banks or collectors to whom the items may be transmitted for collection, or for loss in transmission, either of the items or of the documents attached thereto, or accompanying the same, or the proceeds of the items, and will be responsible only for due diligence and care in making collection thereof.

The Federal Reserve Bank of Dallas may use its discretion as to whom items shall be sent for collection, acting in each case as collection agent only, and should the collecting parties, or intermediary agency, convert, or in anywise lose, destroy, or make wrongful or erroneous delivery of the items or documents attached thereto, or accompanying the same, or the proceeds of the items, or remit in payables which are thereafter dishonored, or should the funds become involved in litigation, or the Federal Reserve Bank of Dallas, from any cause, not receive actually collected funds thereon, the amount of such items may, at the option of the Federal Reserve Bank of Dallas, be charged back to the offering bank.

Every bank sending bill of lading drafts to the Federal Reserve Bank of Dallas for rediscount will be understood to have agreed to the terms and conditions and to all provisions of this circular.

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Protest Instructions

The Federal Reserve Bank of Dallas will, at its discretion, forward bill of lading drafts with protest instructions. However, should the drawers of the drafts prefer that they be sent "no protest," such instructions will be followed where drawers insert the following clause above their signatures:

"Waiving demand, protest and notice of non-payment."

Drafts will, of course, be sent subject to protest where member banks so instruct.

Cost of Collection

Member banks will be charged with actual expenses incurred in the collection of bill of lading drafts, such as exchange charges, cost of telegrams, etc., but no charge will be made by the Federal Reserve Bank for its own services.

Rebate of Unearned Discount

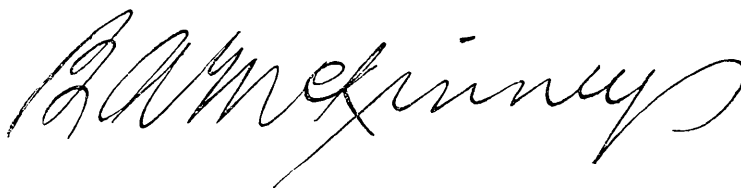
Unearned discount will be rebated on all drafts paid before maturity, at the rate at which discounted. Rebate will be calculated from the date on which collected funds become available, either at this bank or any other Federal reserve bank or branch.

Allow Ample Transit Time for Shipments

The suggestion is made that bill of lading drafts be drawn for a period sufficient to allow ample time for shipments to reach destination before drafts mature, making allowance for reasonable delays in transit.

The use of our facilities in connection with the rediscounting of bill of lading drafts has developed to such an extent that we are anxious to simplify the procedure as much as possible for the convenience of our member banks and their customers, and the above instructions and accompanying new application form have been prepared in the hope that these facilities may be more easily available to our member banks.

Respectfully,

A handwritten signature in dark ink, appearing to read "R. A. McKinney", written in a cursive style.

Governor.