



FEDERAL RESERVE BANK
OF DALLAS

Circular No. 9
Series of 1923

August 16, 1923.

BILL OF LADING DRAFTS

To the Member Bank Addressed:

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

The term, "Federal Reserve Bank of Dallas," as used herein, includes the El Paso and Houston branches.

ELIGIBILITY

Sight and Demand Drafts

By an amendment to the Federal Reserve Act, which became effective March 4, 1923, " * * * Upon the endorsement of any of its member banks, which shall be deemed a waiver of demand, notice, and protest by such bank as to its own endorsement exclusively, * * * any Federal reserve bank may discount or purchase bills of exchange payable at sight or on demand which are drawn to finance the domestic shipment of nonperishable, readily marketable staple agricultural products and are secured by bills of lading or other shipping documents conveying or securing title to such staples. * * *"

The regulations of the Federal Reserve Board issued in conjunction with this amendment provide that " * * * All such bills of exchange shall be forwarded promptly for collection, and demand for payment shall be made promptly, unless the drawer instructs that they be held until arrival of car, in which event they must be presented for payment within a reasonable time after notice of arrival of such staples at their destination has been received. In no event shall any such bill be held by or for the account of a Federal reserve bank for a period in excess of 90 days. * * *"

Time Drafts

It will be observed that the amendment quoted has particular reference to sight and demand drafts secured by shipping documents covering nonperishable, readily marketable staple agricultural products.

In addition to the above, under the provisions of the Federal Reserve Act, time drafts secured by readily marketable products are also eligible, as heretofore. Drafts of this character may have a maturity not in excess of 90 days from date offered and may be drawn payable "on or before" some specific date. They must have attached, and be secured by, negotiable shipper's order bills of lading covering such products.

TERMS AND CONDITIONS OF ACCEPTANCE

Pursuant to the foregoing, and effective immediately, drafts of both of the kinds mentioned above which meet the requirements of eligibility, and which are acceptable from a credit standpoint, will be purchased under the following terms and conditions:

Drafts must be endorsed by the member bank over manual signature of an authorized officer, and must be listed on special application blank (Form L & D 62), a copy of which is hereto attached. A supply of these forms will be furnished upon request. Kindly give estimate of needs when ordering.

Drafts must have attached negotiable shipper's order bills of lading or other shipping documents and be accompanied by instructions to surrender documents only upon payment.

Unless otherwise advised, member banks will be credited with face amount of drafts purchased, subject to final payment, and interest will be charged at current rate to date actually collected funds are received by the Federal Reserve Bank of Dallas. Where collection is made through another Federal reserve bank or branch, interest will be charged to the date that this bank receives final credit on their books.

All drafts purchased by the Federal Reserve Bank of Dallas are taken upon the express condition that it may use its discretion as to whom they shall be sent for collection, acting in each case at the risk of the bank from whom purchased, and the Federal Reserve Bank of Dallas shall not be liable for acts or omissions of any other banks or collectors, but only for due diligence and care on its part in making collection thereof.

The Federal Reserve Bank of Dallas is authorized to accept payment in bank checks or drafts of deferred availability, at the risk of the member bank.

It is further agreed that the Federal Reserve Bank of Dallas shall not be liable for loss in transmission of either the drafts or any documents accompanying them; and should the collecting agent or intermediary agency convert or in anywise lose, destroy or make wrongful or erroneous delivery of such drafts or documents, or the proceeds thereof, 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 within a reasonable time, in its judgment, it reserves the right to at any time charge the amounts of such drafts back to the account of the member bank from whom received.

Where remittances for items previously charged back are made in funds not immediately available, credit will be deferred for the actual number of days that it takes to convert such remittances into available funds.

Inasmuch as neither the Federal Reserve Bank of Dallas nor its collecting agencies have any means of knowing when shipments arrive, the Federal Reserve Bank of Dallas shall not be responsible in any event for delay in demand or presentment where drafts are accompanied by instructions to hold for arrival of shipments or other similar instructions.

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

Presentation of Drafts

Sight and demand drafts will be forwarded with instructions to collecting bank to immediately present and to return if not paid upon presentation; provided, however, should it be desired that presentation for payment be withheld until arrival of shipment, such instructions will be followed if included in letter of transmittal from the member bank, or if attached to individual items. These instructions must not be incorporated in the wording of the drafts themselves, but may be shown separately, over the authorized signature of the drawer.

Protest Instructions

In the absence of instructions to the contrary, the Federal Reserve Bank of Dallas will, at its discretion, forward drafts with protest instructions, but should the member bank prefer that they be sent "no protest," such instructions will be followed where drawers insert proper waiver of protest above their signatures. The following clause is suggested for this purpose:

"Waiving demand, protest and notice of nonpayment."

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

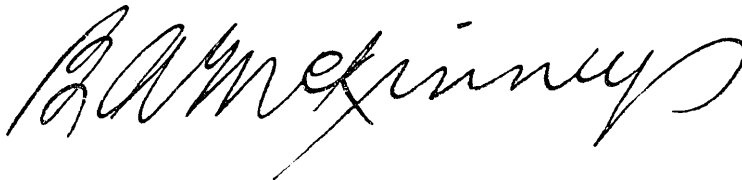
War Revenue Stamps

Drafts payable at sight or on demand do not require war revenue stamps, but time drafts must have affixed, and properly cancelled, revenue stamps at the rate of 2c per \$100.00 or fraction thereof.

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 service charge will be made by the Federal Reserve Bank of Dallas.

Yours very truly,

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

Governor.