

**DISCOUNT OR PURCHASE OF SIGHT AND DEMAND DRAFTS**

To the Member Banks of the  
Eleventh Federal Reserve District:

For your information, we quote below the fourth paragraph of Section 13 of the Federal Reserve Act as amended:

“Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice, and protest by such bank as to its own indorsement exclusively, and subject to regulations and limitations to be prescribed by the Board of Governors of the Federal Reserve System, any Federal reserve bank may discount or purchase bills of exchange payable at sight or on demand which grow out of the domestic shipment or the exportation of nonperishable, readily marketable agricultural and other staples and are secured by bills of lading or other shipping documents conveying or securing title to such staples: Provided, That all such bills of exchange shall be forwarded promptly for collection, and demand for payment shall be made with reasonable promptness after the arrival of such staples at their destination: Provided further, That no such bill shall in any event be held by or for the account of a Federal reserve bank for a period in excess of ninety days. In discounting such bills Federal reserve banks may compute the interest to be deducted on the basis of the estimated life of each bill and adjust the discount after payment of such bills to conform to the actual life thereof.”

**METHOD OF HANDLING**

Pursuant to the foregoing, drafts of the kind mentioned above which meet the requirements of eligibility, and which are acceptable from a credit standpoint, will be discounted or 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 supply of these forms will be furnished upon request.

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 the face amount of drafts accepted, subject to final payment, and interest will be charged at the current rate of discount to date actually collected funds are received by the Federal Reserve Bank of Dallas. When collection is made through another Federal Reserve bank or branch, interest will be charged to the date that this bank receives final credit.

Sight and demand drafts will be forwarded with instructions to the collecting bank to present immediately 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 an individual item. 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.

Any sight or demand draft discounted or purchased by the Federal Reserve Bank of Dallas will be handled by it for collection in the same manner as noncash collection items, and it is understood and agreed that all of the terms and conditions of the current bulletin of this bank relating to the collection of noncash items shall apply to the collection of these items; it being understood and agreed that if the Federal Reserve Bank of Dallas does not receive actually collected funds within what it deems to be a reasonable time, it shall have the right to charge the amounts of such drafts back at any time to the account of the member bank from which received.

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

Every bank discounting sight or demand drafts with, or selling them to, the Federal Reserve Bank of Dallas will be understood to have agreed to the terms, conditions and all provisions of this bulletin.

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The right is reserved to withdraw, add to, or amend at any time, any of the provisions of this bulletin.

Yours very truly,

P. E. Coldwell

President