



**FEDERAL RESERVE BANK  
OF DALLAS**

**WILLIAM H. WALLACE**  
FIRST VICE PRESIDENT  
AND CHIEF OPERATING OFFICER

June 16, 1987

DALLAS, TEXAS 75222

Circular 87-43

**TO:** The Chief Operations Officer of  
all financial institutions in the  
Eleventh Federal Reserve District

**SUBJECT**

**Sight drafts and bills of exchange issued by Common Title Bond &  
Trust**

**DETAILS**

We have received several inquiries from banks that have attempted to collect sight drafts issued by Common Title Bond & Trust with addresses in several states including California, Nevada, Illinois and Texas. The draft may be accompanied by instructions which direct the bank to present the draft to Common Title Bond & Trust. Common Title Bond & Trust has responded to collection letters for the sight drafts by sending out bills of exchange bearing citations to 12 U.S.C. 342, 12 U.S.C. 343 and 12 U.S.C. 348, and advising that the bill of exchange may be presented to the Federal Reserve Bank for collection or as collateral for a discount window advance.

Title 12 U.S.C. 342 is the statute authorizing Federal Reserve Banks to receive bills and notes from depository institutions for collection. However, the uniform policy of all Reserve Banks is not to handle for collection any noncash items in the form of a draft that is not payable at a bank. Title 12 U.S.C. 348 is the statute authorizing the Federal Reserve Bank to discount bills of exchange issued or drawn for an agricultural purpose. Title 12 U.S.C. 343 is the statute authorizing Federal Reserve Banks to discount bills of exchange arising out of commercial transactions. However, a Reserve Bank would accept a bill of exchange as collateral for a discount window advance only after carefully investigating the creditworthiness of the obligor.

We are informed by the California State Banking Department that Common Title Bond & Trust is not authorized to engage in banking or trust business in California, and that the Department has issued a cease and desist warning to it. We are also informed by the Nevada Commissioner of Financial Institutions that Common Title Bond & Trust is not licensed to do business in that state. The Federal Bureau of Investigation offices in Phoenix, San Francisco, Sacramento, and Reno are investigating the activities of Common

Title Bond & Trust, although these offices are not presently soliciting reports regarding Common Title Bond & Trust sight drafts or bills of exchange.

Absent an affirmative determination that Common Title Bond & Trust is authorized to engage in banking, these sight drafts are neither cash nor noncash items and cannot be collected by this Reserve Bank. We cannot determine the market value, if any, which we would assign to such bills of exchange, and therefore would discourage lenders from accepting them with the intent to use them as collateral at the discount window.

**MORE INFORMATION**

For further information, please contact this Bank's Legal Department at (214) 651-6228.

Sincerely yours,

A handwritten signature in cursive script, reading "William H. Waller". The signature is written in dark ink and is positioned to the right of the "Sincerely yours," text.