



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

DALLAS, TEXAS 75222

July 15, 1987

Circular 87-50

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

Our Circular 87-43, dated June 16, 1987, advised depository institutions that this Reserve Bank is not handling Common Title Bond & Trust sight drafts and bills of exchange for collection or discount. In response to continued inquiries, this Circular is issued to provide additional information.

We continue to receive inquiries from depository institutions concerning sight drafts and "Bills of Exchange" issued or drawn on Common Title Bond & Trust at addresses including 508 N. Curry Street, Suite 77, Carson City, Nevada 89701; P.O. Box 2173, Roseville, California 95678; R.R. #2, Box 100, Farina, Illinois 62838; 2815 Valley View, Suite 112, Dallas, Texas; and 4343 W. Northwest Highway, Suite 1100, Dallas, Texas 75220. We understand some depository institutions have been lead to believe that these instruments are either collectible through the Federal Reserve System or that the Federal Reserve Banks will accept these instruments as collateral at the discount window. At this time, we have been unable to determine that these instruments are payable at a bank and therefore are collectible through a Federal Reserve Bank. We also have been unable to determine the value of these instruments, and we cannot accept these instruments as collateral at our discount window without further evidence of their value.

The sight drafts issued by Common Title Bond & Trust have typically been presented in satisfaction of farm or residential indebtedness. 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. 343, 12 U.S.C. 348 or 12 U.S.C. 342, along with a cover letter which indicates that the bill of exchange can be presented to a Federal Reserve Bank for collection or discount. While we do not address the underlying legitimacy of these sight drafts or bills of exchange, we wish to make you aware of the following points:

For additional copies of any circular please contact the Public Affairs Department at (214) 651-6289. Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank (800) 442-7140 (intrastate) and (800) 527-9200 (interstate).

First, the legend "12 U.S.C. 342" is apparently a reference to Section 342 of Title 12, United States Code, which authorizes Federal Reserve Banks to receive certain types of instruments from depository institutions for collection. However, the uniform policy of all Reserve Banks is not to handle for collection any cash or noncash item that is not payable at a bank or other depository institution. Since we have no evidence that Common Title Bond & Trust is a bank or other depository institution, we will not handle for collection any sight drafts or bills of exchange issued by it.

Second, the legends "12 U.S.C. 343" and "12 U.S.C. 348" apparently refer to Sections 343 and 348 of Title 12, United States Code, which authorize Federal Reserve Banks to discount certain types of instruments. A Reserve Bank would accept a bill of exchange as collateral for a discount window advance, however, only after carefully evaluating the creditworthiness of the obligor. Until we are able to determine the creditworthiness of Common Title Bond & Trust, we cannot accept bills of exchange issued by it as collateral for discount window advances.

We are informed by the California Superintendent of Banks that Common Title Bond & Trust is not authorized to engage in a banking or trust business in California, and that a cease and desist warning has been issued to Common Title Bond & Trust (Weekly Bulletins dated March 6 and March 13, 1987). The banking commissioners of Nevada and Illinois have informed us that Common Title Bond & Trust is not registered to be a business in Illinois and Nevada. The Illinois Attorney General has issued a Consumer Alert warning farmers and bankers not to use Common Title sight drafts.

We also understand that several offices of the Federal Bureau of Investigation are investigating the activities of Common Title Bond & Trust to determine if any violations of federal law, such as 18 U.S.C. 1343 (wire fraud), have occurred.

MORE INFORMATION

Refer to our earlier Circular 87-43 dated June 16, 1987. For further information, please contact this Bank's Legal Department at (214) 651-6228.

Sincerely yours,

A handwritten signature in cursive script that reads "William H. Waller". The signature is written in dark ink and is positioned below the typed name "William H. Waller".