

FEDERAL RESERVE BANK  
OF NEW YORK

[Circular No. 798]  
July 19, 1927]

Suggested Change in Standard Form of Trade Acceptance

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*To all Member Banks in the Second Federal Reserve District:*

The following extract from the July, 1927, Federal Reserve Bulletin recommending a change in the standard form of trade acceptance now in use is sent to all member banks in this district for their information:

The Supreme Court of the State of Texas has recently rendered an opinion in the case of Lane Company *v.* Crum, in which it is held that a trade acceptance is rendered non-negotiable by a statement contained thereon as follows:

The obligation of the acceptor hereof arises out of the purchase of goods from the drawer, maturity being in conformity with the original terms of purchase.

A similar decision has also been rendered by the Supreme Court of Florida with regard to trade acceptances bearing an indorsement of this kind.

These decisions raise serious doubt as to the negotiability of acceptances containing statements of this kind in all jurisdictions where the courts of last resort have not yet held such acceptances to be negotiable. The Federal Reserve Board considers that it is advisable to change the standard form of trade acceptances now in use by eliminating therefrom the clause giving rise to this doubt and by inserting in lieu thereof a provision to read as follows:

The transaction which gives rise to this instrument is the purchase of goods by the acceptor from the drawer.

Very truly yours,

BENJ. STRONG,  
*Governor.*