

ACCEPTANCES

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649346615

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Cover @ 2017

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GUARANTY TRUST COMPANY OF NEW YORK

ACCEPTANCES

Acceptances

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Foreword

The termination of the war has brought us problems of reconstruction that promise to be even more difficult of solution than the vexing questions arising out of the actual conduct of hostilities. As the war brought us into more intimate contact with all of the allied, and virtually all of the neutral powers, and as we are called upon to take an active and decisive part in the settlement of the affairs of the world, naturally we are forced to meet new conditions, and, at the same time, are brought face to face with opportunities of great promise. Among these opportunities opened to American merchants is the vast field of trade with Europe, South America, Africa and the Orient.

Our foreign trade has already assumed proportions heretofore desired but never realized. It must be protected and fostered in every possible way, and placed on a sane and sound basis which will insure its rapid and steady growth in order that America may hold the place she has won.



Every good means of furthering this end must be utilized, and everything that strengthens our financial and industrial organization will have a stabilizing and permanent effect on our institutions in general. The placing of credit on a sound basis is one of the most potent factors in the stabilizing process during this trying period of reconstruction, and the use of trade and bank acceptances will aid greatly in bringing about this result. Their general adoption by American merchants will promote the further development and broader expansion of our foreign trade, for both are of proven worth, as sound instruments of credit.

June, 1919.

Acceptances

There are two kinds of acceptances—Trade Acceptances and Bank Acceptances.

Trade Acceptances

Use in Europe

In Great Britain and in many countries of Continental Europe practically every commercial transaction is financed by means of a time draft, or bill of exchange. The draft is drawn by the seller of the merchandise and presented to the buyer, who, if he finds it satisfactory, writes across its face the word "Accepted," signs his name, and returns the draft to the seller. It then becomes a trade acceptance—a sound, circulating medium of finance which commands a low rate of interest and which the seller, if he desires, may discount at his bank.

Although European countries have long realized the many advantages of the trade acceptance over the open book account in financing commercial transactions, merchants in America have been slow to grasp and utilize