

quite misleading unless one remembers their origin and exact significance, have come to be entrenched in commercial language too strongly to be dislodged at this late day, as the common terms to express the state of the "exchanges" as between two countries. These terms are "against" and "in favor of." The old Mercantile system, which has left other unsavory progeny behind it besides this, in order to keep and heap gold and silver in a country, encouraged exports in every way and discouraged imports, in order that the "balance of trade," as the phrase ran, that is, the difference in volume between exports and imports, might come back to the country in gold and silver; and this foolish and now thoroughly exploded notion gave rise to the terms in question; exchanges were then said to be "against" a country when the record seemed to show more imports than exports, as if that implied that the imports were too great for a "balance" in gold and silver; and were said to be "in favor of" a country when its export-line was greater than the line of imports, as implying a favorable balance to be met by a specie-import in future. The false "System" is gone forever, but the "terms" still abide in commercial language, and confuse the minds more or less (more rather than less) of everybody who tries to make these terms a vehicle of thought. We have now described the causes and courses of international bills of exchange without resorting to these technicalities, which imply movements of gold and silver which do not actually take place under the conditions supposed; for example, the exchanges were "in favor" of the United States in 1874-77, there being an apparent trade balance of \$164,000,000 in 1877 and a still larger in 1876 and a larger one in the two years preceding, but the import of specie was small in all those years, averaging about \$25,000,000 a year, and the rest of

the excess of exports went to pay interest due to foreigners, freights on the cargoes both ways, and so on. It is difficult to use without abusing the terms "against" and "in favor of" in this connection, and the reader is cautioned not to employ them; although "discount" and "premium" on international bills of exchange are matters extremely important to observe and to know the grounds of. Were there no counterworking principle, bills of exchange drawn on capitalist and creditor countries, like Great Britain, whose imports are apt to be strongly in excess of the exports, and whose public policy is wise enough to put no obstacles in the way of the free receipt of imports, would be at a *discount* in countries sending exports thither.

This counterworking principle, already illustrated as to inland exchange in the case of New York, is best seen internationally in connection with London, which is the settling-place of the world's commerce. When the Romans dredged the Thames and made "the pool" just below London Bridge, they took the first steps towards making that town a commercial centre; since a market for products is products in market, the busy exchange of commodities there has quickened in every age the accumulation of capital and the increase of population; previous to the Dock Laborers' Strike in 1889, about 100 vessels entered the port of London every day, which received about one-half of the total customs revenue of the United Kingdom, and sent out about one-fourth of its exports; the business of out-of-the-way and semi-civilized countries has somehow (and it would not be hard to tell why) centered in London, as well as the business of originally British Colonies everywhere and of all other commercial countries; accordingly, debtors and creditors abound there, bills of exchange concentrate there, and debts due from every-

where are payable *there*; and therefore, because bills on London are good all over the world, the Demand for them counterworks the natural cheapness of the bills drawn on exports *thither* as compared with the natural dearness of the bills drawn there on exports *thence*.

Another thing must be borne in mind in comparing the merchandise accounts of any country, namely, that whenever the "exchange" is sufficient to cover the cost and risk of the transmission of gold, gold itself is likely to go freely from the country, in which bills drawn on exports are at a premium, or to use for once the old hazardous phrase, "*against*" which the exchanges have turned, and bills will be drawn on that gold, as upon common merchandise, and sold of course for the sake of the premium; or, if a decidedly higher rate of discount prevail in a neighboring country, gold will naturally go thither from the lower-rate lands, because lenders in the latter will desire to realize the higher rate of current interest on money, and bills will be drawn on this gold as well, which will tend to lower the premium on bills there; unless, then, the premium *and* the difference in interest abroad will justify the speculation, the gold will not stir; although, if the difference in interest abroad were very considerable and promised to continue for some time, the bills on the gold might sell at a discount and still leave a profit to the senders; but the home bankers can always stop a drain of gold of this kind by raising their own rates of discount.

This casual mention of bankers leads on to the weighty point, that the whole business of foreign exchange is falling more and more into the hands of the bankers, because bills drawn *by* and *upon* well-known bankers naturally have a better credit than ordinary commercial bills, the names upon which are less widely and favorably known. Accordingly, persons sending cargoes of cotton,

say, or of any other valuables, from New York to Liverpool, arrange with their bankers in New York to have the proceeds of the cargoes put to the *bankers'* credit in London, and then these bankers draw bills on the London bankers, which will bring a higher price in New York than a common commercial bill, because many remitters and most travellers prefer bankers' bills, which, though they cost more, pay better and buy better abroad. Commercial bills are still bought and sold in every commercial town, but bankers' bills are more and more taking their place; and the quotations usually give the current price of each.

London is so prominent as the settling-place of the world's transactions by means of bills drawn on and by London bankers, partly on account of the commercial predominance of England, partly from excellent banking customs there, and mainly because an immense mass of cheap loanable capital exists there, which even foreigners may borrow at London rates, provided only that they can get credit there, that is, leave to draw on a London banker, to whom of course remittances must be made as fast as he accepts their bills. Besides, the Bank of England, as the principal bank in Great Britain, and as closely connected with the Government, acts as a bank of support to the public and private Credit of that country. It does a regular business as a bank of deposits and discounts, but it means to keep its rate of discount somewhat above the rate demanded by the other bankers in London, so as not to come into competition with them much in their ordinary business, and be able to act as a bank of support to them and all others in times of pressure. All banks have about so much credit to sell, *and no more*; most banks sell in ordinary times about all the credit they have, because their profits depend on that; but if the Bank of England did this, it would become useless in periods of panic. In

point of fact, that Bank just begins to sell its reserve credit, when the credit of the bankers below is exhausted. When they are at the *end* of their rope, there is generally an abundance of slack rope still in the great Institution above.

Now, as gold can be drawn out of the Bank of England by the cheques of depositors as well as by the presentation of its own notes for redemption, the Rate of Discount becomes a matter of prime importance in the management of the Bank. The whole line of deposits is a line of liabilities to pay out gold, if the depositors demand it; and, as deposits come largely through discounts, whenever there is a strong tendency to draw out gold so as to weaken the reserves of the Bank, the directors have an effectual remedy by raising the rate of discount. The higher the *price* the Bank charges for its credit, the fewer, so far forth, will be its customers, and the smaller its line of deposits, and the less likely a continuous drain of gold from its vaults. The Bank of England is managed throughout by so simple a manner as the turning back and forth of this magic screw of Discount.

Besides the use of the term "Par of Exchange" in the broad commercial sense in which we have now been examining it, as indicating the substantial equality of international debts as between two countries by the current prices of bills of exchange, there is another and subordinate sense in which the phrase is employed, namely, as denoting the *relative value* of the coins of one nation in the coins of another. Thus, our present gold dollar contains 23.22 grains of pure gold; the English pound sterling contains 113.001 grains; consequently, there are \$4.8665 to the English pound; and this is the "par of exchange" (in the secondary sense) between the United States and Great Britain. Between the United States and France the "par" is \$1 to 5.18 francs, since the franc is 19.29 of our cents.

An English shilling equals 24.33 of our cents, the new German "mark" is 23.82 cents, and the new Scandanavian "crown" equals 26.78 cents.

g. Bank Cheques. In substance indeed and even in form, Cheques are Bills of Exchange, but the two have such differing legal incidents, and run so different a course towards extinguishment, that for our purposes in this treatise they should be put under a separate discussion. Bills of exchange are expressly drawn "at sight" or for a day certain, when they become payable by the drawee: cheques *say* nothing about "sight" or any future date, though they are *really* drawn at sight, and are payable to bearer on demand: they must, therefore, be presented for payment within the shortest reasonable time (all things considered), in order that the holder may legally claim against the drawer should the banker fail meantime: a cheque is held as the payment of a debt until it be dishonored on presentation: the banker bears the risk of the forgery of the drawer's name, unless his mistake be made easier by the drawer's carelessness in drawing: a cheque is not payable after the drawer's death. The parties to cheques are the Drawer, who is a depositor with some banker; that banker thus becomes the Drawee; and the person named in the cheque is the Payee, who can indorse his own right over to another person by name or in blank to bearer. When a cheque is drawn in this way by one *banker* upon another, it is usually called in this country a *Draft*.

Formerly in England, and in other countries as well, each considerable dealer kept his own strong box, and when he had occasion to make payments, told down the solid cash upon his own counter. Afterwards, the goldsmiths of London solicited the honor of keeping in their vaults the spare cash of the merchants, and these in their payments among each other came to employ orders or

cheques drawn on the goldsmiths, and at the shops of the latter the principal payments in coin were effected. The later introduction of Banks brought along with it the custom, now continually widening in commercial countries among all classes of the people, of keeping one's funds with some banker, and making payments by written orders or cheques upon him. When the person making the payment and the person receiving it keep their money with the same banker, there is no need of any money at all passing in the premises, the sum being merely transferred in the banker's books from the credit of the payer to the credit of the receiver. The banker is quite willing usually to do this business for nothing, and even sometimes to allow the depositors a low rate of interest on all balances remaining in his hands, in consideration of the privilege involved of loaning such proportion of the aggregate of these sums as he deems safe to other parties at a higher rate of interest.

In the larger cities, by an arrangement called the "Clearing-house," substantially the same benefits are secured as if all the depositors of the city kept their cash at the same bank; inasmuch as all the cheques drawn on each of the different banks, and passing in the course of the business day into other banks, are assorted before evening at all the banks, and adjusted the next morning through the clearing-house, and the credits and debits of each bank are set off as far as possible against each other, leaving only small balances to be settled in money.

The London Bankers' Clearing-house was established in 1775; in 1864, the Bank of England was admitted to it; and since then, the Clearing-house itself, and all the bankers and firms using it, keep accounts with the Bank of England, and the balances, formerly settled by money, are now adjusted by simple transfers of account on the

books of that great Bank. This carries out the grand principle of the Clearing further than it has yet been carried in this Country, although the United States Sub-Treasury not very long ago joined the New York Clearing-house, while the practical details of the Clearing are simpler and better in New York than in London. The average clearings in the London house (and there are besides many other clearing-houses in the United Kingdom) were £5,218,000,000 a year for 1875-80, and the amounts cleared frequently rose to £20,000,000 a day; which, if paid in gold coin, would weigh about 157 tons and require about 80 horses to carry it; and if paid in silver coin would weigh more than 2500 tons and require 1275 horses. This is stated on the excellent authority of the late Professor Jevons.

The total business of the 23 clearing-houses of the United States in 1880 was over \$50,000,000,000; the New York Clearing-house did 65% of that business for that year; and the average daily clearings there for the fiscal year 1879 were \$76,167,983.

We will now describe mainly from personal observation the New York Clearing-house, which was established in 1853, premising that the principle is the same, though the details may be different, in all other clearing-houses wherever located. Business men in New York, as elsewhere, usually pass in to their bankers as a deposit all the cheques and current credits received in the course of a business day. It is the custom for everybody to draw his own cheque *on* his banker to make payments with, and to pass in *to* his banker the cheques he receives from others. Say there are sixty clearing-banks in New York City. Each of these banks sorts out after business hours every day all the cheques it has received that day drawn on each of the other banks into separate parcels ready for the clearing the

next morning. Each bank has, then, fifty-nine parcels *to deliver*, which represent the property of that bank, and are a *claim* upon the other banks; and also *to receive* fifty-nine parcels, which represent the property of the other banks, and are a claim upon *itself*.

Before ten o'clock in the morning sixty messengers, each having fifty-nine parcels to deliver, appear at the clearing-house, each reporting to the manager at once for record the amount of "exchange" he has brought, which is entered of course as *credit* to his bank; and then all take their positions in order in front of the sixty desks, which occupy the floor of the house, behind which sit sixty clerks, each representing one of the banks. Each messenger stands opposite the desk of his own bank, with his fifty-nine parcels already arranged in the exact order of the bank-desks before him. Of course no messenger has anything to deliver to the clerk of his own bank. Each clerk inside his desk has a sheet of paper containing the names of all the other banks arranged in the same order as the desks, with the amounts carried out upon it which his messenger has just brought to each. All these are entered in his credit column. Each messenger carries also a slip of paper ready to be delivered with each parcel to each clerk, on which is entered the amount of the cheques he now brings to each bank. Of course the amount delivered *to* each bank is *debit* to that bank, just as the amount brought *by* each is *credit* to that bank.

A signal from the manager, who stands on a raised platform at one end of the room with his two or more clerks before him, and each messenger steps forward to the next desk in front of him, delivers his parcel and also the slip that goes with it, which latter the clerk signs with his initials and hands back to the messenger as his voucher for the delivery; and then each messenger advances to the

next desk,—the whole *cue* moving in order,—at which precisely the same things take place as before, and so on, until the circuit of the room is made, and each comes opposite again the desk of his own bank, having passed to each its "exchange" and taken a receipt for each delivery. This process takes about ten minutes; when each clerk, who had on his sheet to start with the *credit* due to his bank, has now the *data* (fifty-nine items) by which to calculate the *debit* of his bank. The difference between the aggregate of cheques *received* and *brought* by his bank is the balance due *to* or *from* the clearing-house as to that bank.

All the clerks report to the manager the amounts *received* by each, and as his proof-sheets hold already the amounts *brought*, if the two columns add up alike, no mistake has been made, and the general clearing is over. Thirty-five minutes are allowed the clerks to enter, report, and prove their work. Fines are imposed for errors discovered after that time. The Clearing-house gives tickets of debit or credit to all the banks, and the debit ones must pay in lawful money before half-past one, and the credit ones will get their due from the manager immediately after. The largest sum ever cleared in New York in one day was \$206,034,920.51 on Nov. 17, 1868, and the smallest \$8,357,394.82 on Oct. 30 of the panic year, 1857.

h. Crossed Cheques. About twenty years ago there was instituted in London what is called the Cheque-Bank, which is designed to bring the benefits of the credit-system in the form of cheques more easily to all classes of the people. The cheques issued by this institution are so different in character and in course from common bank-cheques, and are in some respects so new in principle, that we must give to them a separate heading and a full explanation.

The Cheque-Bank is a stock company in London under

that style, which has entered into relations with nearly all the banks and bankers of the United Kingdom, and with many Colonial and foreign banks also, by which Cheque-Books are furnished for sale by the Cheque-Bank through these associated banks, which also agree to cash the cheques, every cheque in which books indicates by printed and indelible perforated notices upon the forms what the utmost sum is against which that cheque can be drawn; the aggregate of these perforated sums is the price for which each book is sold less $1\frac{1}{2}$ penny for each cheque in it, of which the penny is for the Government stamp required and the one-fifth for the profits of the Cheque-Bank; and all these cheques in books of different sizes and amounts are drawn in form on the Cheque-Bank, and *Crossed*, that is, *only made payable through a banker*. It is one security against fraud that each cheque bears on its face the utmost sum for which it can be used, and another is that it can only be taken up by a banker and thus settled ultimately through the clearing-house. The Crossed Cheques Act of Parliament in 1876 makes any obliteration of the crossing or essential alteration of a cheque *felony* at law.

Cheque-crossing is of two kinds, *special* and *general*; when any particular banker's name is written between two transverse lines, in which form alone crossed cheques differ from ordinary ones, that makes that cheque payable by him only; when the words "*and Company*" or "*and Co.*" are written between these lines, that makes the cheque payable only through *some* banker, that is, the cheque is crossed *generally*; and when two parallel transverse lines simply are drawn across the face of a cheque, with or without the words "not negotiable," that cheque is legally deemed to be *crossed* and crossed *generally*. When a cheque is *uncrossed*, the lawful holder may cross it either

generally or specially; when it is crossed generally, he may at his option cross it specially; and whether crossed generally or specially he may add the words "not negotiable." All this facilitates greatly the *collection* of cheques by set-off through the clearing; and has a direct bearing on the fortunes of the Cheque-Bank.

The Cheque-Bank publicly guarantees the payment of all the cheques in all its cheque-books to the maximum amount for which each cheque may be drawn; and it may well do this, for no cheque-book is sold except for money, and the money is ready in the hands of some banker to pay every cheque when presented; any banker or other person will give cash for them, or take them in payment for goods or other services, or if they are drawn for a sum larger than the debt due will give back the charge to the bearer; and if the cheques be actually drawn for less than the maximum perforated on them, the Bank itself will give additional cheques for the balance. The ultimate payment, then, of these cheques is as sure as anything in the future can be; the buyer of a cheque-book knows, that the money is already in deposit to pay them, and that the government-stamps on them have already been paid for, while the receiver of an ordinary cheque cannot know beforehand that the drawer has money in deposit against it. Moreover, the holder of an ordinary cheque must use due diligence in presenting it for payment as soon as possible, or delay it at his own risk, while the holder of these has no motive whatever for haste,—time does not deteriorate them. All money received for cheque-books is left in the hands of the bankers who sell them, or transferred to other bankers in order to meet the cheques presented elsewhere, and accordingly an interest is paid by the bankers to the Cheque-Bank, on the balance of deposits thus held, and this interest, together with the one-fifth of a

penny for each cheque, is the only source of profit to the Cheque-Bank. Of course, the longer these cheques remain out before presentation, the more profitable to the Cheque-Bank; and their average length of life has been heretofore not far from ten days.

Since these cheques are crossed *generally* (not specially) with the words "and Co.," that is to say, since they can ultimately be taken up only by some banker, they have a more *generalized* character than common bank-cheques, they are safer to carry and keep than so much money would be, there is no difficulty in shopping or paying wages by means of them, they are very much the same in their nature as bank bills are, and might easily in certain circumstances become *money* just as bank bills in some circumstances are money. Each of the associated banks keeps an account of course with the Cheque-Bank, but is not obliged to keep a separate account with the purchasers of cheque-books, which is a great relief to the banks. In this way the Cheque-Bank extends the use of cheques in the lieu of money to a great multitude of small transactions, and relieves the other banks from what would otherwise be a great deal of troublesome accounting and collection. The ingenuity and the utility of this comparatively new form of Credit cannot be questioned for one moment; the promoters of the Bank intended that their cheques should be received by the people as a substitute for cash and for Post Office orders, and such has been the effect, many railway and other companies having long ago agreed to receive them as cash, and the people generally regard them as cheaper and more convenient than postal orders and even for many purposes than cash.

i. Cash Credits. As the Cheque-Bank in the sense as just explained has been thus far in the history of Credit peculiar to England, so we have now to look to Scotland

only for an exemplification of a form of Credit hitherto confined to that country. It is a national characteristic of the Scotch to be "canny," that is, they *can*, a word from the old Teutonic *können, to be able*; and, as a consequence, Scotch Banking has long been famous the world over; and the one peculiarity of it, with which we are now concerned, goes back certainly to 1729, as we happen to know from a minute of the Directors of the Bank of Scotland under that date. That bank was chartered by the old Scotch Parliament in 1695, one year after the chartering by the English Parliament of the Bank of England, and under substantially the same title as that, namely, "The Governor and Company of the Bank of Scotland." It began to establish branches in different towns of the realm in 1696, and began to issue bank notes for £1 (a privilege denied to the Bank of England) in 1704; and it began also at a very early period to exhibit the two main peculiarities of Scotch banking, namely, (1) to receive deposits *on interest* and (2) to *grant credit on cash accounts*, or, as they have come to be called less properly, Cash Credits.

This second peculiarity, which has proved extremely beneficial to Scotland, is, for substance this, to create a drawing account in favor of a deserving customer, who has made as yet no deposits in the bank, but who draws out money and pays it in from time to time just like an ordinary depositor, and instead of receiving interest on the daily balance to his *credit* (old Scotch fashion), he pays interest on the daily balance to his *debit*. These accounts are called Cash Credits. They are not intended to be dead loans, but quick accounts; and they are not granted except to persons in business, or to those who are frequently drawing out and paying in money. The individual who has obtained such a credit is enabled to draw the whole sum, or any part of it, when he pleases, replacing it, or portions of it,

when he pleases, according as he finds it convenient, interest being charged only upon such part as he draws out.

David Hume in his *Essay of the Balance of Trade*, published in 1752, makes this nice point in favor of Cash Credits: "If a man borrows £5000 from a private hand, besides that it is not always to be found when required, he pays interest for it whether he be using it or not. On the other hand, his Cash Credit costs him nothing, except during the moment it is of service to him; and this circumstance is of equal advantage as if he had borrowed money at a much lower rate of interest." The Cash Credit is always for a limited sum, seldom under £100, given upon the customer's own security, and that in addition of two or three individuals approved by the bank, who become sureties for its payment. Of course, only those banks can furnish such credits which possess a surplus of credit more than they can sell in the ordinary way, and these credits are safe and useful only in small communities, in which men are well known to each other. Some friends of the parties thus accommodated always guarantee the bank against loss; but the losses have proved to be insignificant, the gains to be marvellous; and this form of credit issued on the basis of no previous transaction in the way of deposits illustrates better than any other the radical principle, that Credit is Capital.

The Report of a Committee of the House of Lords made in 1826 on Scotch and Irish banking describes very clearly and fully the system of Cash Credits: "There is also one part of their system, which is stated by all the witnesses to have had the best effects upon the people of Scotland, and particularly upon the middling and poorer classes of society, in producing and encouraging habits of frugality and industry. The practice referred to is that of Cash Credits. Any person who applies to a bank for a Cash Credit is called

upon to produce two or more competent sureties, who are jointly bound; and after a full inquiry into the character of the applicant, the nature of his business, and the sufficiency of his securities, he is allowed to open a credit, and to draw upon the bank for the whole of its amount, or for such part of it as his daily transactions may require. To the credit of the account he pays in such sums as he may not have occasion to use, and interest is charged or credited upon the daily balance, as the case may be. From the facility which these Cash Credits give to all the small transactions of the country, and from the opportunities which they afford to persons who begin business with little or no capital but their character to employ profitably the minutest products of their industry, it cannot be doubted that the most important advantages are derived to the whole community. The advantage to the banks that give these Cash Credits arises from the call which they continually produce for the issue of their paper, and from the opportunity which they afford for the profitable employment of part of their deposits. The banks are indeed so sensible that, in order to make this part of their business advantageous and secure, it is necessary that their Cash Credits should be operated upon, that they refuse to continue them unless this implied condition be fulfilled. The total amount of their Cash Credits is stated by one witness to be £5,000,000, of which the average amount advanced by the banks may be one-third."

There are only ten Banks doing business in Scotland, and the Bank of Scotland, the oldest of these, had 86 branches in 1875, and the average number of branches of the other nine is very nearly the same with that.

j. Circular Credits. These are a device of bankers to enable travellers and merchants of one country to obtain credit and cash in foreign countries in sums to suit their

convenience, not to exceed in the aggregate the limit mentioned in the credits drawn. These credits assume different forms and are called by different names, but they are all at bottom foreign Bills of Exchange. They are Orders to pay. They are drawn by Bankers at home upon Bankers abroad. They are bought by travellers and others, because they are safer to carry than so much money would be, and much more convenient. In nearly all of those forms the credits are available for no one else than the payee, whose name is upon the form as well as the names of the bankers who are the drawees, and so the credits are not liable to be stolen, although they may be temporarily (not ultimately) lost. Purchasers of such credits can obtain money on them in all of the principal cities of the world in just such sums as they need. They have ultimately to pay for no more credit than they actually use, because the drawer will pay back to the payee, in case he has bought and paid for the entire credit drawn, the cash difference; while on the other hand, arrangements can always be made beforehand, by which money need not be deposited with the banker at home any faster than it is actually called for abroad; and while also a good customer of the bank drawing the credit, one who keeps ordinarily a good line of deposits, may pay for whatever credit he has used when he returns from his trip.

There is one kind of these foreign credits that deserves separate mention, since it has come of late years into quite general use, namely, "Circular Notes," as they are called. These are sight bills of exchange, each drawn for a relatively small amount, say £10, and multiplied in number to the requirements of the buyer, and drawn by one domestic banking-house, say Kountze Brothers of New York, on one foreign banking-house, say Union Bank of London, the names of drawer and drawee only being upon the "notes,"

the payee or buyer being expected to indorse each note in the presence of the Correspondent making the payment. The notes, therefore, are not negotiable except by the signature of the payee himself from time to time as he needs the proceeds. This makes them safer than so much money to carry: if stolen, they could do the thief no possible good. At the same time the drawer of the notes furnishes the payee a circular letter addressed to his banking correspondents all over the world, just as in an ordinary Letter of Credit, containing the name and also the personal signature of the payee, but unlike the ordinary Letter making no reference to the amounts of credit furnished, and there are no indorsements of any kind by the correspondents on this circular letter, which the payee is cautioned in print on the back to *keep separate* from the Circular Notes covered by it. One of these letters runs as follows, the name of the payee being entered in manuscript and also in autograph:—

"TO OUR CORRESPONDENTS,
GENTLEMEN,

THIS LETTER WILL BE PRESENTED TO YOU BY GRACE PERRY, WHO IS RECOMMENDED TO YOUR KIND ATTENTION, AND IS SUPPLIED WITH OUR CIRCULAR NOTES, THE VALUE OF WHICH PLEASE FURNISH AT THE CURRENT RATE FOR SIGHT BILLS ON LONDON, WITHOUT ANY EXPENSE TO US. AFTER YOU HAVE EXAMINED THIS LETTER, PLEASE RETURN IT TO THE BEARER, IN WHOSE HANDS IT WILL REMAIN UNTIL THE EXPIRATION OF THE CIRCULAR NOTES."

These Circular Notes approximate in certain respects in kind towards the cheques of the Cheque-Bank of London: both are bought at the outset and paid for in full on the spot; and both are drawn upon one Bank, which is the ultimate Drawee and Payer. In two essential respects, how-