

*Cheque to bearer drawn on an outside point—Banks' right to refuse negotiation without the customer's endorsement*

QUESTION 308.—May a bank refuse to negotiate a cheque drawn on some other point and payable to bearer, unless endorsed by the customer?

ANSWER.—A bank may refuse to cash such a cheque under any conditions whatever.

If, however, the question intended is whether a bank

---

75 days discount on it? In the case of a bill for a large amount and with money at the late high rates it might preclude any possibility of profit to the British merchant."

To which the Editing Committee replied:

"We have been making enquiries and find that the practice with regard to the rate of exchange varies. At Montreal the Banks have agreed among themselves to pay such documents at the demand rate, and the same practice prevails in Toronto. No doubt the considerations that moved them are those which you have set out in the last part of your letter, and it may be that we shall have to give way generally on the question of rates, not as a matter of legal right, but as a matter of expediency as a general understanding among the banks.

"We do not see any way in which the question can be authoritatively settled. We think there is no doubt that for the last sixty or eighty years 60 day exchange has been the usance between Canada and England, and that the current rate means the rate for the current usance, although we do not know that the Courts have ever pronounced on the point. There are, however, reasons for believing that the evidence as to the meaning of "current rate of exchange" would substantiate the views we have hitherto expressed in the JOURNAL.

"It does not necessarily follow that the British merchant suffers. If he sells his goods to be drawn for in sterling on a Country where another currency prevails, the element of exchange has to be considered in his price, just as it has when (*e.g.*) cotton is sold in New Orleans to be drawn for in sterling. In the latter case, if the drawer is only going to get \$4.80 for his bill, he adds the difference to his price. If he is going to get \$4.90 he allows the difference in his price, and precisely the same thing takes place with regard to the seller of goods in Great Britain. Of course if he is uncertain whether he is going to get payment at the sight rate or 60 day rate, he may be at some disadvantage, but that is only because of the uncertainty, and he can prevent it by making the draft payable "at the current rate for bankers' demand bills.

"As a case in point, we might mention the Australian practice, which appears universally to be to remit for collected bills by a 60 day bill on London, less their collection charges.

"The practical working out of the matter, like many other things, will probably be quite illogical and end in a compromise. However, it seems to us impossible for banks on which sterling drafts or letters of credit are drawn payable at the current rate of exchange, to say that these are payable at the 60 day rate, that being the current rate in Canada, and at the same time to say that an acceptance of a Canadian merchant payable at the current rate of exchange must be paid at the demand rate. The difficulty would of course entirely disappear if the British merchants would make their bills payable, not at the current rate of exchange, but at the current rate for bankers' demand bills."