**Post #1: William Gott**

In the United States, corporate paper has become one of the most popular ways for corporations to raise money.  So what is commercial paper?  Our texts labels it as the following, “Commercial paper is a term used to describe several legally binding documents such as notes, checks and drafts to facilitate the transfer of money from one person to another” (Liuzzo, 2019, p.350).

For many large, creditworthy issuers, commercial paper is a low-cost alternative to bank loans. “Issuers are able to efficiently raise large amounts of funds quickly and without expensive Securities and Exchange Commission (SEC) registration by selling paper, either directly or through independent dealers, to a large and varied pool of institutional buyers” (Crabbe 1992). Investors in commercial paper earn competitive, market-determined yields in notes whose maturity and amounts can be tailored to their specific needs.  Financial firms are the biggest issuer of commercial paper, with an average outstanding paper balance of 36 billion dollars.  Finance companies provide consumers with home loans, retail automobile loans, and unsecured personal loans. They provide businesses with a variety of short- and medium-term loans including secured loans to finance purchases of equipment for resale.

                When it comes to lending money and being the borrower of money, one particular bible verse sticks out to me and it is from the book of Psalms.  “The wicked borrows but does not pay back, but the righteous is generous and gives” (Psalms 37:21)

References

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**Post #2: Daniel Sumulong**

 Commercial paper is a term used to describe several legally binding documents such as notes, checks and drafts to facilitate the transfer of money from one person to another (Liuzzo, 2019, p.350). It is also referred to as a negotiable instrument, “an unconditional written promise to pay a certain sum of money on demand or at a definite time (p. 350).” This concept is similar to that of a contract. When a commercial paper is issued, the drawer is giving his/her word to the payee (the receiver) of the funds that a successful monetary transfer will occur (p.352). Since these instruments are not as liquid or tangible (in a transactional sense) as cash, it does leave room for the parties to cheat one another. Once again, we have to stay true to our word and be upright in our dealings with others.

            For years, there have several unethical activities involving the banks, corporations and individuals. Ballen (1992) cited a case in Ohio (*Master Chem Corp v. Inkrott, 1990)* where a bank was honoring the deposits of a corporate bookkeeper who was depositing company funds into his/her own bank account. The court later ruled that the bank did not act in good faith and ordered that the corporate accounts be recredited for whatever amount was embezzled by the bookkeeper (p. 1563). *Polles v. FDIC (1990)* showed an example of a bank forcing the drawer to take the loss since it was able to prove that the drawer ratified a forgery of commercial paper (p. 1564). These are only two of the many examples of deceitful, illegal and unethical acts. While the development of Electronic Funds Transfer (EFT) has greatly reduced the use of checks and other commercial paper, I believe there will still be other means for clever people to cheat their neighbors.

            “A payor bank that fails to exercise ordinary case in providing timely and accurate notification to the depositor bank is liable for losses up to the amount of the item (Miller, 1986, p. 1401).” From the perspective of the banks, this rule is very important in the way they conduct business. Previous examples have shown how banks can be complicit in aiding unethical activity. Even when bank officials have their suspicions, they still allow a deposit to go through. Whenever this happens, it may not hurt for the payor bank to halt the transaction and conduct further investigation to prevent damages to themselves, the depositor bank and the payee.

            Scriptures says in Proverbs 37:21, “The wicked borrow and never repay, but the godly are generous givers (New Living Translation).” When dealing in commercial paper, we must keep our word and act ethically. Just as money is a tool with no positive or negative essence, commercial paper is very much the same. Instead of using it to take advantage of our neighbors, we ought to use it to bless them and honor the Lord.

References:

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