



Seventh letter

Exchanges update

This market is in Alpine strawberries for delivery within _____ More precise quantities and timings will be expressed as time progresses.

FOR DELIVERY BETWEEN JUNE and SEPTEMBER _____

COPPER for STRAWBERRIES

STRAWBERRIES for COPPER

SJ (23/3/21)

Between 1 (one) and 3 (three) oz. for 1 (one) oz.

CG (27/4/21)

~~Between 1 (one) and 3 (three) oz. for 4 (four) oz. steel~~

4 (four) oz. of steel for between 1 (one) and 3 (three) oz. CG (8/5/21)

A further 'new' market in tomatoes also for delivery _____ has been established:

FOR DELIVERY BETWEEN AUGUST and SEPTEMBER _____

STEEL for TOMATOES

TOMATOES for STEEL

SJ (23/3/21) Between 1 (one) and 3 (three) oz. for 1 (one) oz.



Bills of Exchange

Chris Guttridge

Recently, CG's offer of 1-3oz Strawberries for 4oz of steel was taken by SJ, with the final exchange to take place _____ between July-September 2021. Parties involved each received a *bill of exchange* in recognition of this interaction, drawn on both SJ and CG, for 4oz of steel and 1-3oz of strawberries, respectively. Both parties can be said to be holding *swaps*, not futures; indeed they are not to be "reassigned" anonymously or otherwise. The term *bill of exchange* is adopted due to endorsement chains arising from the use of these contracts in subsequent interactions.

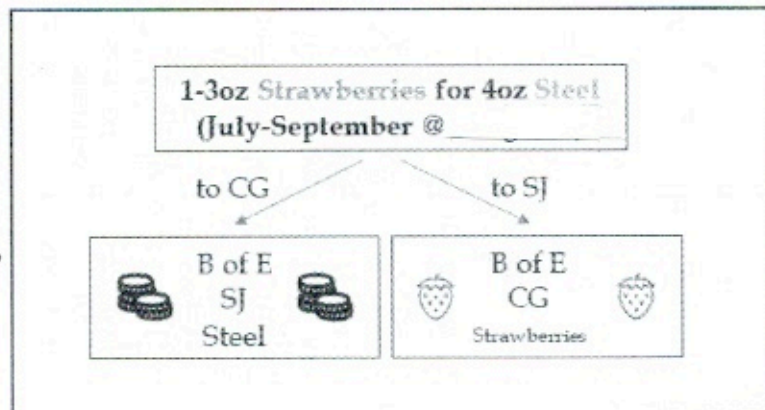


Figure 1 – How each party can use a Currency Club bill. CG receives steel from SJ (A(A/B)); SJ receives strawberries from CG (B(A/B)).

Once drawn, a bill can be used to make further trades where others want those goods that the bill matures into—which can be achieved by *nesting* a bill within another (see figure 2). Nesting a bill endorses its validity and discourages the dumping of defective bills into the hands of others. If, for example, SJ were only to *assign* ownership of a bill to another party (say by transferring the original bill with an accompanying bill of sale), the assignee’s rights would be limited to recovering amounts only from CG—since they are the only party ordered to deliver strawberries¹. Further, *assigning* bills inhibits potency as many might be less willing to accept them under such circumstances.

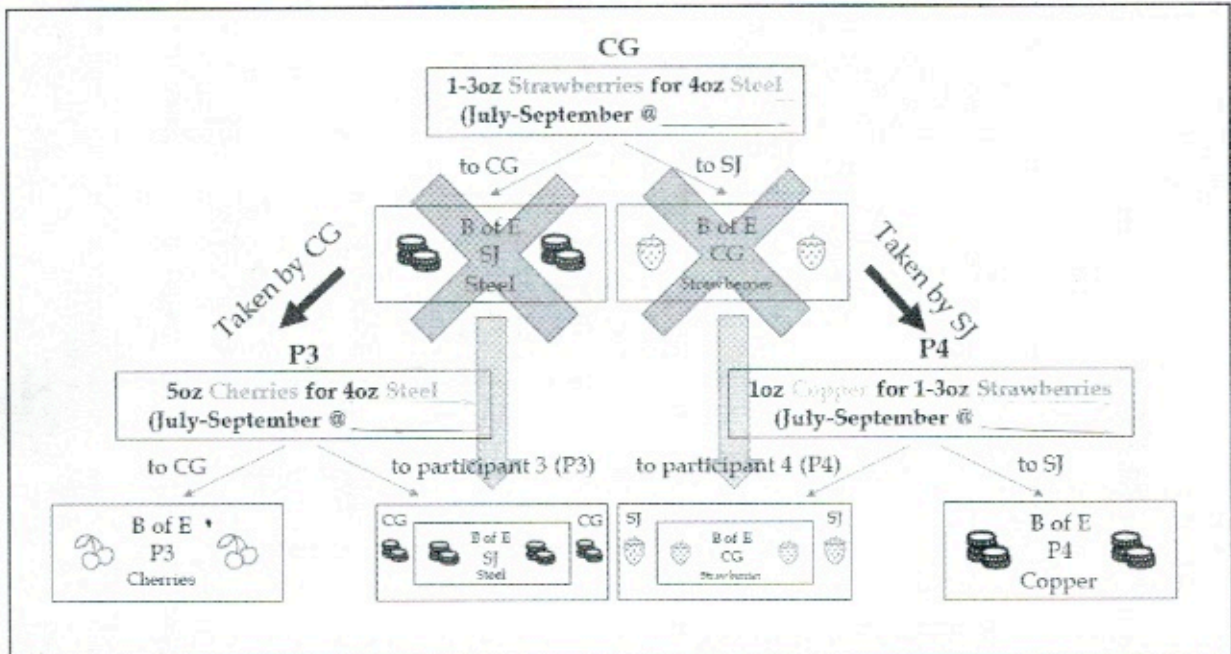


Figure 2 - Bills can be nested within new bills where they become endorsed (grey arrows). Nested bills consequently become “obsolete” (red crosses).

In contrast, if SJ were to use the original bill as the basis of another, thus vouching for its quality, others may be more willing to accept it in payment. Indeed, SJ would be liable were the original acceptor (CG) to default since they have also been ordered to deliver strawberries, albeit initially being “backed” by a bill drawn on CG. Nesting a bill forms an endorsement chain where each endorser takes accountability for the delivery of goods. Moreover, once a bill has been nested in another, the freshly drawn bill acquires the potential to be nested further; naturally, there is no limit to the number of times bills can be nested (see figure 3).

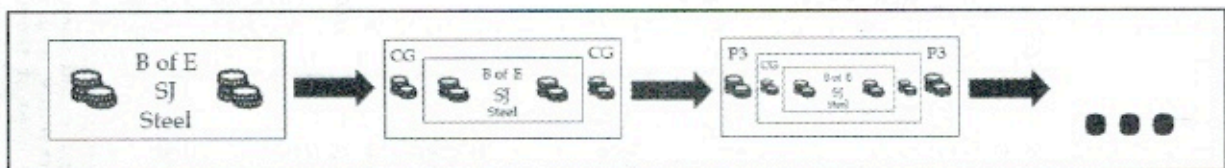


Figure 3 - Bills can be nested an unlimited number of times; each time augmenting the endorsement chain of the original bill.

In the example in figure 2, cherries would move directly to CG; copper to SJ; steel to Participant 3; and strawberries to Participant 4; the same outcome were each interaction to occur one at a time in sequence. It follows then that positions can be closed by taking a “counteracting” offer from another participant maturing simultaneously. If Participant 3

¹In transferring a bill by assignment *without* endorsement, the transferor excludes himself from the endorsement chain; the assignee can therefore recover goods only from those who have previously endorsed it at the time of transfer.

takes '5oz Cherries for 4oz Steel' from Participant 5, goods drawn on Participant 5 could then be given "directly" to CG (see figure 4).

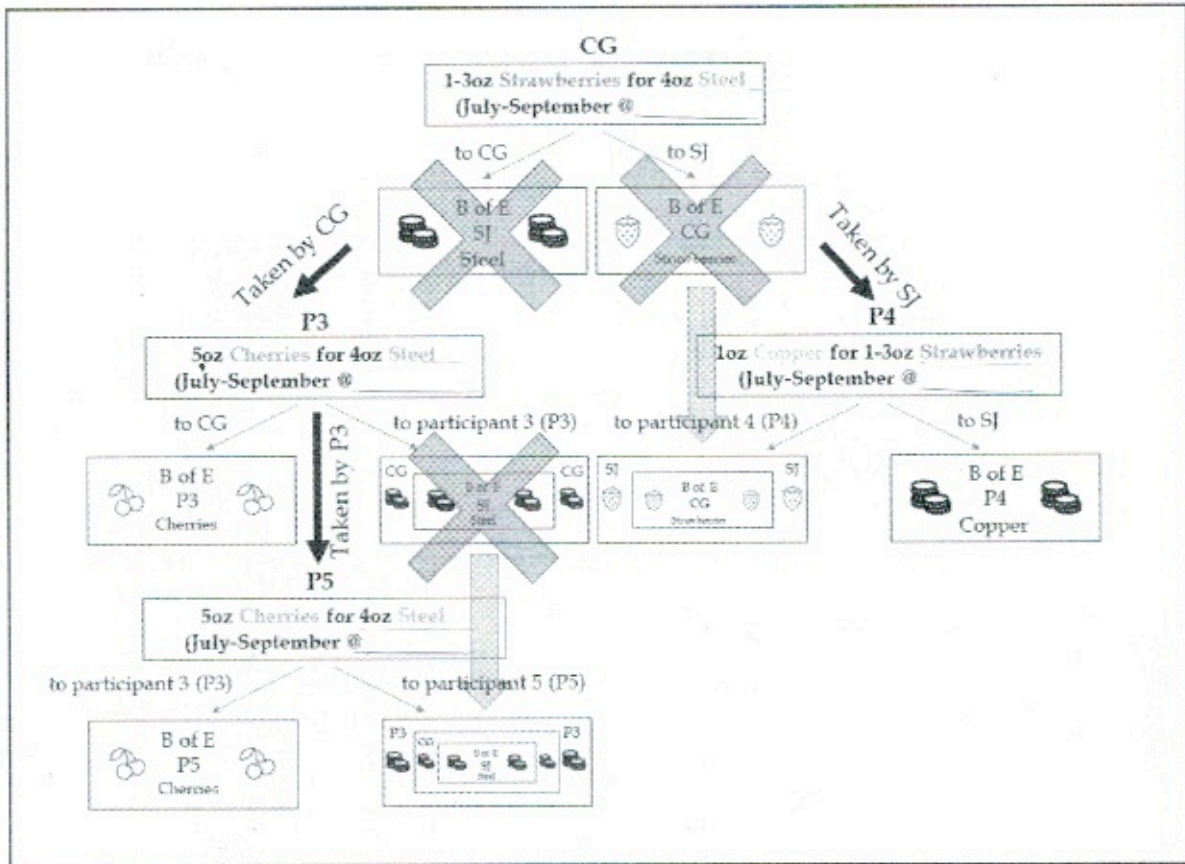


Figure 4 - Positions can be closed by taking a counteracting offer.

In conclusion, nesting _____ bills enables extraordinary market rigour and efficiency. Without it, each interaction may need to be settled one at a time, consequently slowing goods' movement between individuals. Nesting enables a theoretically unlimited set of interactions to occur *synchronously* at settlement, driven by the principle of endorsement.

