

*Supplemented by 222*FEDERAL RESERVE BANK
OF NEW YORKGOVERNMENT BOND
DEPARTMENT

September 19, 1919.

EXCHANGE AND CONVERSION OF 4% COUPON LIBERTY BONDS

TO ALL BANKS, TRUST COMPANIES AND SAVINGS BANKS
IN THE SECOND FEDERAL RESERVE DISTRICT,

DEAR SIRs:

The Treasury Department has recently announced that there are approximately \$750,000,000 face amount of 4% Liberty bonds in coupon form outstanding, and as it is assumed that all holders of 4% Liberty Loan bonds will desire to avail themselves of the present conversion privilege, Treasury Department Circular No. 158, prescribing rules and regulations governing the exchange and conversion of 4% bonds, has been issued and is enclosed herewith.

We particularly invite your attention to the following important provisions set forth more fully in the circular:

Holders of 4% coupon bonds of the Second Liberty Loan and First Liberty Loan Converted, desiring to avail themselves of the conversion privilege, should present their bonds before November 15, 1919 and December 15, 1919 respectively, and receive 4 $\frac{1}{4}$ % coupon bonds with the May or June, 1920 coupon attached, which are exchangeable after the latter dates for bonds with all subsequent coupons attached.

All 4% Liberty Loan coupon bonds presented after November 15, 1919, and December 15, 1919 for exchange for bonds with all subsequent coupons attached will, unless otherwise expressly indicated in writing by the holder, be deemed to be presented for conversion into 4 $\frac{1}{4}$ % bonds as well as for exchange, and a definitive 4 $\frac{1}{4}$ % bond with all subsequent coupons attached will be delivered about March 15, 1920 together with a check or special coupon covering the interest at 4% per annum to which the holder may be entitled up to the interest payment date from which the new bond begins to bear interest at 4 $\frac{1}{4}$ percent.

As all registered bonds are in permanent form and need not be exchanged, the Treasury Department strongly urges holders of temporary coupon bonds to exchange them into bonds in registered form.

Yours very truly,

R. H. TREMAN,

Deputy Governor.

Enc.

EXCHANGE AND CONVERSION OF 4 PER CENT COUPON LIBERTY BONDS.

1919.
Department Circular No. 158.
Loans and Currency.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY.
Washington, September 8, 1919.

To Holders of 4 per cent Gold Bonds of 1927-42 of the Second Liberty Loan, and 4 per cent Gold Bonds of 1932-47 of the First Liberty Loan Converted:

Under the provisions of Treasury Department Circular No. 137, dated March 7, 1919, as amended and supplemented June 10, 1919, the privilege of converting 4 per cent bonds of 1927-42 of the Second Liberty Loan and 4 per cent bonds of 1932-47 of the First Liberty Loan Converted into 4½ per cent bonds was extended for the period beginning March 7, 1919, and ending on such date as may be fixed by the Secretary of the Treasury on six months' public notice. This extension of the conversion privilege is now in force. Pursuant to its terms, 4 per cent Liberty bonds presented for conversion are deemed, for the purpose of computing the amount of interest payable, to be converted on the semiannual interest payment date next succeeding the date of presentation for conversion, and interest is payable at the rate of 4 per cent per annum to such next succeeding semiannual interest payment date. Accordingly, when coupon bonds are presented for conversion, all coupons maturing on or before such next succeeding interest payment date must be detached and collected in ordinary course when due, and the coupon bonds issued upon conversion bear interest at the rate of 4½ per cent per annum only from such semiannual interest payment date. In other respects, the respective coupon bonds issued upon conversion are identical with the coupon bonds issued upon conversion of 4 per cent bonds before the original conversion privilege expired, on November 9, 1918.

Notwithstanding the extension of the conversion privilege, approximately \$750,000,000 face amount of 4 per cent Liberty bonds in coupon form remain outstanding unconverted. Of these coupon bonds, the Second Liberty Loan 4 per cent bonds have no coupons attached for interest accruing after November 15, 1919, and the First Liberty Loan Converted 4 per cent bonds have no coupons attached for interest accruing after December 15, 1919. On and after said dates, respectively, these bonds are exchangeable, according to their terms, for like bonds with all subsequent coupons attached, but if presented for conversion before said dates, the bonds issued upon conversion will bear interest at the rate of 4½ per cent per annum from said dates, respectively, and, like other 4½ per cent coupon Liberty bonds now outstanding issued upon conversion of 4 per cent bonds, will have no coupons attached for interest accruing after May 15, 1920, and June 15, 1920, respectively. On and after said dates, respectively, the 4½ per cent bonds so issued will be exchangeable, according to their terms, for like bonds with all subsequent coupons attached. If, on the other hand, the 4 per cent coupon bonds now outstanding are not presented for conversion until November 15, 1919, and December 15, 1919, respectively, the bonds issued upon conversion will not begin to bear interest at 4½ per cent per annum until May 15, 1920, and June 15, 1920, respectively, and will have no coupons attached. The 4½ per cent bonds so issued will likewise be exchangeable on and after said dates for like bonds with all subsequent coupons attached, but holders of 4 per cent bonds so surrendered who receive only such 4½ per cent bonds will have received no coupon covering

the 4 per cent interest accruing on their bonds after November 15, 1919, and December 15, 1919, respectively.

Holders of 4 per cent coupon bonds of the Second Liberty Loan and of the First Liberty Loan Converted who fail to present their bonds for conversion before November 15, 1919, and December 15, 1919, respectively, could secure for themselves the coupons covering the 4 per cent interest accruing after said dates to which they might be entitled by exchanging their 4 per cent bonds for like bonds with all subsequent coupons attached, and then converting the bonds so received into $4\frac{1}{4}$ per cent bonds. This procedure, however, would put such holders of 4 per cent coupon bonds to the inconvenience, first, of exchanging their 4 per cent bonds for like bonds with all subsequent coupons attached, then of converting such 4 per cent bonds into $4\frac{1}{4}$ per cent bonds without coupons attached, and, finally, of exchanging such $4\frac{1}{4}$ per cent bonds for like bonds with all subsequent coupons attached, and would at the same time impose upon the United States the unnecessary expense of engraving and preparing 4 per cent bonds with all subsequent coupons attached.

In order to avoid expense to the United States and inconvenience to holders of 4 per cent coupon Liberty bonds, and in order to make the necessary provision for the payment of the 4 per cent interest accruing after November 15, 1919, and December 15, 1919, respectively, on the coupon bonds surrendered, the following rules and regulations are hereby prescribed governing the exchange and conversion of 4 per cent coupon bonds of the Second Liberty Loan and of the First Liberty Loan Converted:

(1) Holders of 4 per cent coupon bonds of the Second Liberty Loan and of the First Liberty Loan Converted who desire to avail themselves of the conversion privilege should present them for conversion promptly, *before* November 15, 1919, and December 15, 1919, respectively, and in that event will be deemed to present their bonds for conversion only and will receive upon such conversion bonds bearing interest at $4\frac{1}{4}$ per cent per annum from November 15, 1919, and December 15, 1919, respectively, with coupons attached covering interest to May 15, 1920, and June 15, 1920, respectively. The $4\frac{1}{4}$ per cent bonds issued upon such conversion will be exchangeable by their terms on and after May 15, 1920, and June 15, 1920, respectively, for $4\frac{1}{4}$ per cent bonds with all subsequent coupons attached.

(2) Holders of 4 per cent coupon bonds of the Second Liberty Loan and of the First Liberty Loan Converted who desire to avail themselves of the conversion privilege but neglect to present their bonds for conversion before November 15, 1919, and December 15, 1919, respectively, should temporarily retain their 4 per cent coupon bonds until the Treasury Department announces that the $4\frac{1}{4}$ per cent coupon bonds of the Second Liberty Loan and of the First Liberty Loan Converted with coupons attached covering interest to maturity are available for delivery (which, it is expected, will be about March 15, 1920), and then present their 4 per cent bonds promptly for conversion and exchange into such $4\frac{1}{4}$ per cent bonds. All 4 per cent coupon Liberty bonds presented on or after November 15, 1919, and December 15, 1919, respectively, for exchange into bonds with all subsequent coupons attached will, unless otherwise expressly indicated in writing by the holder, be deemed to be presented for conversion into $4\frac{1}{4}$ per cent bonds, as well as for exchange, and will be held in suspense pending the date when the $4\frac{1}{4}$ per cent bonds with all subsequent coupons attached shall be available for delivery. With the $4\frac{1}{4}$ per cent coupon bonds issued upon such conversion and exchange of 4 per cent bonds, holders of the surrendered 4 per cent bonds will receive either a special coupon or an interest check, as the Secretary of the Treasury in his discretion may prescribe, payable on the appropriate interest payment date and covering the interest at 4 per cent per annum to which they may be entitled up to the interest payment date from which the new bonds begin to bear interest at $4\frac{1}{4}$ per cent per annum.

(3) After November 15, 1919, and December 15, 1919, respectively, 4 per cent bonds of the Second Liberty Loan and of the First Liberty Loan Converted, with all subsequent coupons attached, will be issued in exchange for the 4 per cent bonds for which they are expressed to be exchangeable, if specifically requested, but it is not expected that they will be available for delivery before March 15, 1920. In view of the extension of the conversion privilege, of which it is assumed all holders of 4 per cent Liberty bonds will desire to avail themselves, the work of preparing the 4 per cent bonds with all subsequent coupons attached has been subordinated to the work of preparing the 4½ per cent bonds with all subsequent coupons attached.

Important.—The 4 per cent registered bonds of the Second Liberty Loan and of the First Liberty Loan Converted are in permanent form and need not be exchanged for other bonds. Holders of 4 per cent coupon bonds now outstanding are, therefore, strongly urged to present their coupon bonds for exchange into registered bonds instead of for coupon bonds with all subsequent coupons attached, and in that event will promptly receive registered bonds upon exchange. Holders of such 4 per cent coupon bonds who present them for conversion as well as for exchange into registered bonds will promptly receive registered 4½ per cent bonds, bearing interest at 4½ per cent per annum from the interest payment date next succeeding the date of presentation for conversion, in accordance with the terms of the extended conversion privilege. Any 4 per cent interest accruing after November 15, 1919, and December 15, 1919, respectively, to which the holders of such bonds so surrendered for exchange into registered bonds may be entitled, will be paid to the holders by check.

The coupon bonds without coupons attached presented for exchange or conversion under the provisions of this circular must be exchangeable by their terms for like bonds with all subsequent coupons attached.

Rules and regulations governing the exchange of coupon Liberty bonds for like bonds with all subsequent coupons attached, with appropriate forms, will be prescribed in due course in a further Treasury Department Circular which will shortly be announced.

The Secretary of the Treasury may withdraw or amend at any time or from time to time any or all of the provisions of this circular.

CARTER GLASS,
Secretary of the Treasury.