

(Closed)

FEDERAL RESERVE BANK
OF NEW YORKGOVERNMENT DEPOSIT
DEPARTMENT
50 WALL STREET

NEW YORK, May 31, 1917.

TO THE CASHIER,

SIR:

In connection with the Treasury Department Circular No. 81 (Liberty Loan Circular No. 3) of which the Department has sent you a copy, your special attention is called to the following:

- (1) Enclosed herewith is a form upon which you may make application for designation as depository of funds in connection with the Liberty loan; and upon which you should answer questions (a), (b), and (c), it being understood that your answers are approximate.
- (2) Lists of bonds, or commercial paper to be offered as security for such deposits should be typewritten on paper of the usual letter size (about $8\frac{1}{2}$ " x 11"). Carbon copies may be used provided they are legible. Each list should contain the name of the bank and the signature of an officer.
- (3) FOUR copies of the application and FOUR copies of the list of securities should be furnished.
- (4) Bonds should be listed alphabetically in sufficient detail to set forth clearly the exact issue. The full name, rate and maturity of the bonds should be stated.
- (5) Commercial paper should be listed in the order of maturity, giving the name and address of the maker and indorser and the maturity of the paper.
- (6) You will be advised later concerning custody of those of your securities which are approved as security for United States deposits.
- (7) Please forward your application and list of securities as soon as possible to Federal Reserve Bank of New York, Government Deposit Department, 50 Wall Street, New York City.

Respectfully yours,

BENJ. STRONG,
Governor.

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Form A—Liberty Loan.

TO THE SECRETARY OF THE TREASURY,
Washington, D. C.

SIR: I am directed by the Board of Directors of the.....
of.....to state that said bank (or trust company)
will have payments to make on subscriptions made by and through it for bonds of the Liberty
Loan and to request you to designate it as a Government depository under authority of the act
approved April 24, 1917, and pursuant to Treasury Department Circular No. 79, dated May
16, 1917, and Treasury Department Circular No. 81, dated May 29, 1917.

The Board of Directors of said.....
has authorized the deposit and pledge of the securities described in the attached list as collateral
security for any deposit made pursuant to this application.

.....of.....
by.....
(Title).....

- (a) The amount of bonds of the Liberty Loan subscribed for by or through such bank or trust company will be \$.....
- (b) The amount of payments to be made by such bank or trust company on such subscriptions on or before June 28 will be \$.....
- (c) The amount of such payments to be made in cash is \$.....and the amount of such payments to be made in Treasury certificates of indebtedness is \$.....

LIBERTY LOAN.

DEPOSITS OF GOVERNMENT FUNDS IN CONNECTION WITH THE LIBERTY LOAN.

1917.

Department Circular No. 81.
(Liberty Loan Circular No. 3.)
Division of Public Moneys.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, May 29, 1917.

To Federal Reserve Banks and other banks and trust companies incorporated under the laws of the United States or of any State:

In pursuance of Department Circular No. 79, dated May 16, 1917, hereto attached, any bank or trust company desiring to qualify as a depository for the purpose of making payments by credit, or of receiving deposits of funds, in connection with the Liberty Loan, under authority of the act approved April 24, 1917, should promptly file an application through the Federal Reserve Bank of its district (on Form A, Liberty Loan, hereto attached). As stated in said Circular No. 79, because of the great amount of work involved in passing upon the qualifications and securities of the banks and trust companies which will have payments to make, it is deemed necessary, until after July 1, to limit to those banks and trust companies having payments to make on subscriptions for \$100,000 or more bonds the provision for making payment by credit—the object in providing for payment by credit being to avoid any disturbance of the money position which might result from large payments being made between June 28 and Monday, July 2, a period when there is customarily a heavy movement of funds due to corporate interest and other payments.

It is, however, entirely admissible for banks and trust companies in any region or regions, by voluntary association among themselves, to pool their subscriptions and payments and to designate one of their number through which subscriptions and payments upon subscriptions shall be made, and which shall be, as between itself and the United States, regarded as the responsible subscriber and depository. In any such case the banks and trust companies so associating themselves would no doubt arrange with the central bank or trust company, so designated to represent them, to redeposit the moneys credited and deposited with such central bank or trust company among the associated banks and trust companies in proportion to their respective payments in cash and certificates upon subscriptions to the loan. If banks and trust companies will thus voluntarily associate themselves together they will relieve the Federal Reserve Banks of the several districts of the burden of the work, and, by arrangement among themselves, obtain participation in the deposits from the beginning, whether or not their individual subscriptions amount to \$100,000 or more bonds. The banks and trust companies so associating themselves will deal only with the central bank or trust company, and the latter will deal with the Federal Reserve Bank and make the application and deposit the securities as hereinafter provided.

As stated in Department Circular No. 79, dated May 16, 1917, the answer to the question, how long the amounts paid by credit may be permitted to remain with designated depositories, will depend in large measure on the extent to which the privilege of payment in full for the bonds of the Liberty Loan on or before June 28 is availed of. As soon after July 2 as practicable the qualifications and securities of all banks and trust companies making application to become depositories will be passed upon, whether or not their subscriptions be for less than \$100,000 of bonds of the Liberty Loan, so that any incorporated bank or trust company in the United States, however small

¹ Supplementing Department Circular No. 79 dated May 16, 1917.

the amount of its subscriptions and though it should not choose or find opportunity, by association with others, to participate in the original privilege of payment by credit, will have an opportunity to qualify and, when designated as depository, to participate in deposits, and the cash proceeds of the Liberty Loan from time to time remaining unexpended will be deposited among the subscribing banks and trust companies designated as depositories as nearly as may be in proportion to the payments of each in cash and certificates of indebtedness upon subscriptions to the Liberty Loan. The Secretary of the Treasury requested, in Department Circular No. 79, dated May 16, 1917, that at least 50 per cent of the payments to be made by the several banks and trust companies be made in Treasury certificates of indebtedness issued under the act approved April 24, 1917. To the extent, therefore, that any bank or trust company makes more or less than 50 per cent of its payments in certificates of indebtedness, the deposits to remain with it out of the unexpended proceeds of the loan will, as nearly as may be, be proportionately increased or reduced; and accordingly transfers will be made from banks and trust companies whose payments in certificates have fallen below 50 per cent to those whose payments in certificates have exceeded 50 per cent, provided that the amount deposited with any one bank or trust company will not exceed the amount paid by and through it in cash and certificates.

It will be understood that the foregoing outlines only the general principle governing the deposits, withdrawals, and redeposits to be made from time to time. On account of the great number of banks and trust companies which will doubtless participate in the deposits and the difficulty of compiling returns and of making transfers, it may not be possible to adhere to it precisely nor immediately. The Secretary will be governed by this general principle as nearly as practicable, but the announcement of the principle must not be permitted to qualify the absolute right to call for and to receive payment of any or all deposits at any time and from time to time. Needless to say, it will be his pleasure and his duty to exercise this power, which he must reserve, in such a way as in his judgment will be most likely to avoid any financial disturbance, and with due regard for the patriotic assistance rendered by the banks and trust companies in connection with the Liberty Loan.

COLLATERAL SECURITY ACCEPTED.

Pursuant to the provisions of section 5153, Revised Statutes, as amended, approved securities of the following classes will be accepted as collateral security for Government deposits made under authority of the act approved April 24, 1917:

(a) Bonds and certificates of indebtedness of the United States Government of any issue, including bonds of the Liberty Loan and interim certificates for payments therefor; all at par.

(b) Bonds issued under the United States Farm Loan Act and bonds of the Philippine Islands, Porto Rico, and the District of Columbia; all at par.

(c) Bonds of any State of the United States at market value not exceeding par.

(d) The 3½ per cent bonds of the Territory of Hawaii at 90 per cent of par; and other bonds of said Territory at market value not exceeding par; and bonds of the Manila Railroad Co. at 90 per cent of market value, not exceeding 90 per cent of par.

(e) Dollar bonds and obligations of foreign Governments (and of the dependencies thereof) engaged in war against Germany and issued since July 30, 1914, at 90 per cent of the market value thereof in the United States, not exceeding 90 per cent of par.

(f) Bonds of any county or city in the United States, which are direct obligations of the county or city as a whole, at 75 per cent of the market value thereof, not exceeding 75 per cent of par.

(g) Railroad mortgage bonds secured by direct mortgage upon lines of railroad within the United States, at 75 per cent of the market value thereof, not exceeding par; but not including any such bonds which at date of this circular are at a market price to yield more than 5½ per cent per annum, if held to maturity, according to standard tables of bond values.

(h) Commercial paper which is eligible for rediscount or purchase by Federal Reserve Banks and which has been approved by the Federal Reserve Bank of the district in which the depository bank is located; at 75 per cent of par. All such paper must bear the indorsement of the depository bank.

At least 25 per cent in value, as above determined, of the securities deposited by any bank or trust company to secure deposits must consist of those mentioned in paragraph (a).

No State, county, or city bond will be accepted if default has been made in payment of principal or interest during the past 10 years.

The Secretary of the Treasury reserves the right to call for additional collateral security at any time.

HOW DEPOSITS ARE TO BE APPLIED FOR.

Any bank or trust company desiring to qualify as a depository should at the earliest possible date file an application (Form A, Liberty Loan, hereto attached) with the Federal Reserve Bank of its district, or, where the applying bank or trust company is located in, or nearer to, a city where a securities committee has been appointed, as hereinafter provided, with such securities committee. Such application must state (a) the amount of bonds of the Liberty Loan subscribed for by or through such bank or trust company; (b) the amount of payments to be made by such bank or trust company on such subscriptions on or before June 28; (c) the amount of such payments to be made in cash and the proportion of such payments to be made in Treasury certificates of indebtedness; (d) the security offered by such bank or trust company for deposits. Each such application must be made in quadruplicate.

The Federal Reserve Bank of each district will report to the Secretary of the Treasury as to all applications filed with it, directly or through securities committees, and will transmit one quadruplicate original of each application to the Secretary of the Treasury with the recommendation of the Federal Reserve Bank. Formal designation of banks or trust companies which shall file the applications above required on Form A, Liberty Loan, will be made as promptly as possible, under the direction of the Secretary of the Treasury, through the Federal Reserve Bank of the district.

Any bank or trust company which in its application on Form A shall have underestimated or overestimated the cash payments which it will have to make, may file a supplemental application and tender additional security, or ask for the withdrawal of security, as the case may be. The security tendered in the first instance must be sufficient to cover at least the amount payable, otherwise than in certificates of indebtedness, on or before June 28, and which the bank or trust company expects to pay by credit. Banks and trust companies may, however, tender securities to cover also the payments which they are to make in certificates of indebtedness, and on the basis of which, as above indicated, they may participate in deposits as transfers and redeposits are made from time to time. Amounts withdrawn by depositors of the applying bank or trust company to pay for Liberty Loan bonds must not be included in its application unless such depositors have arranged to make application and payment through such bank or trust company.

HOW DEPOSITS ARE TO BE MADE.

If the securities offered are approved the depository bank or trust company will receive written notice from the Federal Reserve Bank of its district that it is authorized to receive for the account of the Treasurer of the United States a sum stated, upon the deposit by it of the securities approved by the Federal Reserve Bank with the designated custodian. Each bank and trust company designated will be required to open and maintain for the account of the Treasurer of the United States a separate account to be known as the "Liberty Loan Deposit Account." The depository bank or trust company shall transfer to the Liberty Loan Deposit Account on or before June 28, 1917, the amount then payable by it otherwise than in certificates of indebtedness on its own subscription and on the subscriptions of others made through it to Liberty Bonds. Such bank or trust company must then notify the Treasurer of the United States and the Federal Reserve Bank of the district by letter or telegram to reach them on or before June 28, (on Form B, Liberty Loan) and must issue (on Form C, Liberty Loan) certificates of advice in duplicate, stating the amount standing to the credit of the Treasurer on its books in the Liberty Loan Deposit Account. Said forms will be furnished through the Federal Reserve Banks. Such certificates of advice shall be forwarded as follows: The original to the Treasurer of the United States in Washington, and the duplicate to the Federal Reserve Bank of the district. The Federal Reserve Bank, acting as fiscal agent of the United States, will thereupon credit the subscriber with the amount as a payment or part payment of the amount due on June 28, and the depository bank or trust company will be charged with the amount of such deposit by the Treasurer of the United States.

Applications must be made as above provided at the earliest possible date in the case of those banks and trust companies desiring to make payment on subscriptions for \$100,000 or more bonds on or before June 28. Similar applications may be made from time to time by other banks and trust companies.

All deposits will be made by the Federal Reserve Banks by direction of the Secretary of the Treasury. All withdrawals will be made by the Federal Reserve Banks by direction of the Treasurer of the United States.

SECURITIES COMMITTEES.

The Federal Reserve Bank in each district is authorized to designate a committee or committees in such city or cities as may be deemed necessary, to be known as the securities committee, each such committee to consist of not more than three nor less than two members, who shall serve without compensation. Where applications are made by a bank or trust company which is located in one of the cities in which a securities committee has been appointed, or which is nearer to such city than to the Federal Reserve city of its district, this application should be filed with such securities committee. It shall be the duty of such securities committee to examine the list of securities tendered as collateral security for deposits and to recommend to the Federal Reserve Bank the acceptance or refusal of the securities so tendered and to transmit the application promptly to the Federal Reserve Bank of the district with such recommendation.

CUSTODY OF SECURITY FOR DEPOSITS.

All securities accepted as collateral security for deposits made under authority of the act of April 24, 1917, must be deposited with the Federal Reserve Bank of the district in which the depository bank is located or, by the direction and subject to the order of the Federal Reserve Bank of the district, with a custodian or custodians designated by it. Each Federal Reserve Bank may name as many custodians in its district as it may deem desirable. Any bank or trust company may be appointed such custodian. If individuals are appointed, not less than two individuals shall act as joint custodians. Any custodian so appointed may be required by the Federal Reserve Bank to execute a bond with approved sureties in a penalty of not less than the face value of the securities deposited, the expense of which bond shall be borne by the United States. All securities held as collateral security for deposits either by the Federal Reserve Bank or by a custodian or custodians selected as herein provided shall be kept under seal in a safe-deposit box or safe, separate from all other papers and securities. The safe-deposit box or safe used by any custodian or custodians other than the Federal Reserve Bank shall be located in a fireproof vault or building approved by the Federal Reserve Bank.

EXCHANGE OF SECURITIES.

Banks and trust companies desiring to exchange securities must submit to the Federal Reserve Bank or to the nearest securities committee a list of offerings at least 10 days before the date it desires to withdraw any of the securities pledged. The list of securities offered in exchange will be handled in the same manner as the list of original offerings. The time necessary to transmit such list to the Federal Reserve Bank should be taken into consideration in submitting all lists of securities, and ample opportunity should be given to obtain the approval of the Federal Reserve Bank.

COLLATERAL MATURING IN CUSTODIAN'S POSSESSION.

Should any note or other obligation be about to mature while in the possession of the Federal Reserve Bank or custodian, and no other collateral be substituted at least 10 days before maturity, the Federal Reserve Bank shall withdraw from the depository bank or trust company an amount at least equal to the value as above determined of the note or obligation about to mature.

WITHDRAWAL OF DEPOSITS.

All deposits will be payable on demand and without previous notice. Upon withdrawal of funds a proportionate amount of collateral security will be surrendered to the depository bank or trust company. In case of commercial paper, that having the earliest maturity will

be surrendered in such cases, unless in the opinion of the Secretary of the Treasury a variation of this rule should be made.

Eligible commercial paper held by a Federal Reserve Bank or by a custodian as security for deposits may be offered for rediscount by direction of a depository member bank to the Federal Reserve Bank in order to meet demands made for payment of such deposits. Such paper shall in all cases bear the indorsement of the depository member bank. Any eligible securities held by a Federal Reserve Bank or custodian as collateral security for deposits may also be offered to the Federal Reserve Bank, by direction of the member bank or trust company, as collateral security for loans evidenced by note of the member bank or trust company maturing in not exceeding 15 days, provided the proceeds of such loans are to be used to pay deposits held by the depository member bank or trust company which secures the loan from the Federal Reserve Bank.

INTEREST ON DEPOSITS.

The depository bank or trust company will be required to pay 2 per cent interest on the average balance maintained during the period of the deposit. Interest payments must be made when deposits are finally withdrawn.

W. G. McADOO,
Secretary of the Treasury.

LIBERTY LOAN.

PURCHASES OF TREASURY CERTIFICATES OF INDEBTEDNESS AND DEPOSITS OF GOVERNMENT FUNDS IN CONNECTION WITH THE LIBERTY LOAN.

1917.

Department Circular No. 79.

Division of Public Moneys.

TREASURY DEPARTMENT.

OFFICE OF THE SECRETARY.

Washington, May 16, 1917.

To incorporated Banks and Trust Companies in the United States:

Referring to Treasury Circular No. 78, dated May 14, 1917, inviting subscriptions for bonds of the Liberty Loan:

In order to avoid, even temporarily, a derangement of the money situation, the Secretary of the Treasury earnestly requests that all banks and trust companies, which have or expect to have payments to make for themselves, or others, on account of subscriptions to the loan, acquire, as and when offered from time to time, Treasury certificates of indebtedness, issued under the act approved April 24, 1917, to as large an amount as practicable and at least equal to 50 per cent of the payments which they will have to make from time to time on account of subscriptions, and that they utilize such certificates of indebtedness in making payment. Inasmuch as such certificates of indebtedness are payable at any Federal Reserve Bank, banks and trust companies in acting upon this request will, gradually and without disturbing the money market, acquire exchange payable in the place where subscriptions are to be paid, and meanwhile will secure an adequate interest return upon their money, and the privilege for themselves and their customers, to the extent of the certificates of indebtedness acquired, of making payment in full for bonds allotted, without previous notice, if desired.

As a further precaution, the Secretary of the Treasury has determined that banks and trust companies having payments to make on account of subscriptions for \$100,000 or more bonds, and which shall have qualified as depositories, may make payment upon such subscriptions on June 28 (as to any amounts not paid in Treasury certificates of indebtedness) by credit on their books to the account of the Treasurer of the United States, of which credit and of the amount thereof notice shall be given in duplicate to the Treasurer and to the Federal Reserve Bank of the district on or before June 28. The amounts so credited will be withdrawn from time to time when and as required. How long they may be permitted to remain will depend in large measure on the extent to which the privilege of prepayment for the bonds of the Liberty Loan on or before June 28 is availed of. It will be necessary that the early installments paid upon subscriptions to the loan be devoted largely to the payment of the short-term Treasury certificates of indebtedness, which have been and will be placed throughout the country chiefly for making loans to Governments engaged in making war against Germany, and in part to meet unusual war expenditures of our own Government. As, however, practically all the proceeds of the Liberty Loan, whether advanced to foreign Governments or expended directly by departments of the United States, will be spent in this country in payment of indebtedness heretofore or hereafter incurred, the bank resources of the United States as a whole will not be diminished and the operation involves only a shifting of credits.

Because of the great amount of work involved in passing upon the qualifications and securities of the banks and trust companies which will have payments to make, it is deemed

necessary, until after July 1, to limit to those banks and trust companies having payments to make on subscriptions for \$100,000 or more bonds, the provision for making payment by credit—the object in providing for payment by credit being to avoid any disturbance in the money position which might result from large payments being made from June 28 to Monday, July 2, a period when there is customarily a heavy movement of funds due to corporate interest and other payments. As soon after July 2 as practicable the qualifications and securities of other banks and trust companies desiring to participate in redeposits will be passed upon, and after provision has been made for the immediate disbursements which the United States will have to make up to and including July 1, the proceeds of the loan received from time to time, in full or installment payments, will be redeposited with qualified banks and trust companies in a proportion, yet to be determined, based upon the amounts of bonds of the Liberty Loan for which subscriptions are filed by and through them, and upon the amount of Treasury certificates of indebtedness acquired by them and utilized in payment thereupon on or before June 28. Such deposits will, of course, be subject to call.

Interest at the rate of 2 per cent per annum is to be allowed by the banks upon the amounts credited and redeposited from time to time. A statement as to the formalities of qualification for the purpose of making payment by credit, and of receiving redeposit of funds, and of the securities acceptable for such purposes, will be promptly furnished. The furnishing of security for such deposits is required by section 7 of the act approved April 24, 1917, under which the Liberty Loan is issued and section 5153 of the Revised Statutes and amendments thereto. Each bank or trust company should at the earliest possible date make report to the Federal Reserve Bank of its district of the character and amount of the securities which it will offer as security. These will be reported to the Secretary of the Treasury, and, when his approval shall have been obtained, notification thereof will be made to the banks and trust companies respectively.

The Secretary feels that he can not too strongly urge upon the banks and trust companies of the country that it is their patriotic duty to prepare for the payments which they will have to make on account of the Liberty Loan, first, by the acquisition of certificates of indebtedness, and second, by qualifying under the act so as to be in a position to make payment by credit if the subscriptions by and through them are likely to amount to \$100,000 or more bonds. Bearing in mind the enormous amount of work involved on the part of the Treasury Department and Federal Reserve Banks, he particularly urges that action in these matters be taken as promptly as possible by the banks and trust companies, inasmuch as it may be physically impossible to pass upon the qualifications of late applicants if many applications are long delayed, and the object of permitting payment in certificates of indebtedness—to avoid accumulation of great cash payments within a few days—will in large measure be defeated if such purchases are long postponed.

W. G. McADOO,
Secretary of the Treasury.