

(Closed)

FEDERAL RESERVE BANK
OF NEW YORK

NEW YORK, April 6, 1918.

RATES OF DISCOUNT

TO THE CASHIER,

SIR:

You are advised that this bank has established the following rates of discount effective immediately and until further notice:

ADVANCES

For advances not exceeding 15 days to member banks on their promissory notes secured by eligible paper or bonds, notes or certificates of indebtedness of the United States.....4%

REDISCOUNTS

For notes, drafts and bills of exchange having a maturity at time of rediscount of not more than 15 days.....4%
 For notes, drafts and bills of exchange having a maturity at time of rediscount of more than 15 days and not more than 90 days.....4¾%
 For agricultural paper having a maturity at time of rediscount of more than 90 days and not more than six months.....5%

SPECIAL RATES

For notes, drafts and bills of exchange issued or drawn for the purpose of buying or carrying bonds, notes or certificates of indebtedness of the United States, and secured thereby, having a maturity at time of rediscount of more than 15 days but not more than 90 days.....4¼%
 For trade acceptances having a maturity at time of rediscount of more than 15 days but not more than 90 days.....4½%
 For rediscounting for member banks, for periods not exceeding 15 days, eligible paper having a maturity at time of rediscount of more than 15 days.....4%

Member banks are reminded that the Federal Reserve Act permits direct advances by Federal reserve banks to member banks on their own collateral notes only for periods not exceeding 15 days.

STAMP TAX AMENDED.

You are also advised that Section 301 of the "War Finance Corporation Act," approved April 5, 1918, removed stamp tax on certain promissory notes secured by obligations of the United States Government issued after April 24, 1917. The text of said Section is as follows:

"That no stamp tax shall be required or imposed upon a promissory note secured by the pledge of bonds or obligations of the United States, issued after April 24, 1917, or secured by the pledge of a promissory note which itself is secured by the pledge of such bonds or obligations: PROVIDED that in either case the par value of such bonds or obligations shall equal the amount of such note."

Respectfully,

BENJ. STRONG,

Governor.

For your information, I desire to call your attention to the enclosed circular No. 100 from the Federal reserve bank, which explains just what it is in position to do with regard to advances and rediscounts for member banks.

Briefly, there are three different methods open to banks for financing Liberty Loan Subscriptions through the facilities of the Federal reserve bank, i. e.;

FIRST Loans can be made directly to member banks by the Federal reserve bank for periods not exceeding fifteen days, with Liberty bonds as collateral, for which the present rate is 4%. There is nothing in the law to prevent a member bank from paying the loan as it matures and making a new loan for a smaller or larger amount for further periods of fifteen days providing circumstances at the time the notes mature require it. This method may be helpful in enabling a member bank to carry temporarily bonds for large subscriptions where the subscribers do not wish to pay immediately.

SECOND Customers of a bank who wish to subscribe to bonds and pay for them on the instalment plan in stated periods, i. e., thirty, sixty or ninety days, etc., may give their notes covering the instalment payments to their bank.

If the bank is a member of the Federal Reserve System, it may indorse and rediscount the paper with the Federal reserve bank, provided it has a maturity of not more than ninety days, with Liberty bonds as collateral; the present rediscount rate being $4\frac{1}{4}\%$. Arrangements for reasonable extensions might of course be made between the banks and their customers, but the notes should be drawn for not exceeding ninety days in each instance.

Subscriptions of industrial concerns, merchants, etc., for their own account and that of their employes could also be covered in this manner, and the note of the subscriber may be taken by the bank and indorsed and rediscounted with the Federal reserve bank with the bonds as collateral, as above described.

A member bank may also rediscount at the Federal reserve bank customers' notes given to nonmember banks, i. e., state banks, trust companies and savings banks, under the same conditions until further notice.

THIRD In the case of small subscriptions, calling for the payment of, say, \$1.00, \$2.00, \$5.00 or \$10. per week, an agreement might be made with the subscribers whereby the bank retains the title to the bonds until paid for, and so has them available for use as collateral to its own note if desired.

A member bank may then discount its note for not exceeding ninety days, secured by the bonds, by arrangements made with another member bank, which in turn may rediscount it with the Federal reserve bank.

Nonmember banks, including state banks, trust companies and savings banks, while they cannot borrow directly from the Federal reserve bank, may discount their own notes secured by the bonds for a period not exceeding ninety days by arrangements made with a member bank, which in turn may rediscount such paper with the Federal reserve bank.

The present rates for such rediscounts, as already indicated, are 4% up to fifteen days, and $4\frac{1}{2}\%$ from fifteen days to ninety days. There is nothing in the law to prevent the banks from paying their notes as they mature, and making new notes for smaller amounts for additional periods of ninety days.

FEDERAL RESERVE BANK
OF NEW YORK

UNITED STATES 4% TREASURY CERTIFICATES OF INDEBTEDNESS, MATURING
JUNE 25, 1918, ACCEPTABLE IN PAYMENT OF INCOME AND EXCESS
PROFITS TAXES, TO BE DATED APRIL 15, 1918.

April 13, 1918

TO THE PRESIDENT,

DEAR SIR:

Referring to the issue of 4% United States certificates of indebtedness dated January 2, 1918, due June 25, 1918, which are receivable in payment of income and excess profits taxes as announced in our circular of December 18, 1917, the Secretary of the Treasury has announced that, to relieve subscribers from the necessity of paying so much on account of accrued interest, there may now be obtained from Federal reserve banks certificates identical in all respects with those dated January 2nd, except as to date of issue, which will be April 15, 1918, and from which date they will bear interest.

Until further notice subscriptions received in accordance with our circular of December 18, 1917, will be understood to refer to certificates dated April 15, 1918.

Respectfully yours,

BENJ. STRONG,

Governor.

Federal Reserve Bank of New York

OFFERING A MINIMUM OF

\$500,000,000

OF

UNITED STATES TREASURY 4½% CERTIFICATES OF INDEBTEDNESS

Dated April 22, 1918

Due July 18, 1918

Dear Sirs:

The Secretary of the Treasury, under authority of act approved September 24, 1917, as amended by act approved April 4, 1918, offers for subscription through the Federal reserve banks at par and accrued interest from April 22, 1918 an offering of a minimum of \$500,000,000 United States Treasury certificates of Indebtedness dated April 22, 1918, payable July 18, 1918 with interest at the rate of 4½% per annum.

Upon ten days' public notice, given in such manner as may be determined by the Secretary of the Treasury, this series of certificates may be redeemed as a whole at par and accrued interest on or after May 9, 1918.

The certificates of this series, whether or not called for redemption, will be accepted at par with adjustment of accrued interest to May 9, 1918, if tendered on May 4, 1918 in payment of the subscription price then payable of any bonds of the Third Liberty Loan subscribed for by and allotted to holders of such certificates.

The certificates of this series, unless called for previous redemption, will be accepted at par with adjustment of accrued interest if tendered on July 18, 1918 in payment on the subscription price then payable of any bonds of the Third Liberty Loan subscribed for by and allotted to holders of said certificates.

The certificates of this series will not be accepted in payment of taxes.

The certificates will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000 and \$100,000 payable to bearer.

They will be payable with accrued interest at maturity at the Treasury Department, Washington, D. C., or optional with holders, at the Federal reserve banks.

Interest will be computed for the exact number of days elapsed, on the basis of 365 days to the year.

Subscriptions will be received by the Federal Reserve Bank of New York up to close of business on Thursday, April 25, 1918, and certificates will be allotted in full in the order of receipt of applications, but the right is reserved to reject any subscriptions and to allot less than the amount applied for and to close the subscriptions at any time without notice.

Payments for certificates allotted must be made to the Federal Reserve Bank of New York at par and accrued interest on and after April 22, 1918, the date of issue, until April 25, 1918, inclusive, and must reach the bank before 3:00 o'clock p. m. on April 25, 1918.

In connection with the foregoing offering of certificates of indebtedness of the United States, the Secretary of the Treasury announces that qualified depositaries will be permitted to make payment by credit for certificates allotted to them for themselves and their customers up to the amount for which each shall have qualified in excess of existing deposits when so notified by Federal reserve bank.

Also payment for certificates allotted upon this offering may be made at the holder's option in United States Treasury Certificates of Indebtedness dated January 22, 1918, and maturing April 22, 1918, at par with adjustment of accrued interest.

The certificates of this issue shall be exempt both as to principal and interest from all taxation now or hereafter imposed by the United States, any State, or any of the Possessions of the United States, or by any local taxing authority, except:

- (a) Estate or inheritance taxes, and
- (b) Graduated additional income taxes commonly known as sur-taxes and excess profits and war profits taxes now or hereafter imposed by the United States upon the income or profits of individuals, partnerships, associations or corporations.

However, the interest on an amount of bonds and certificates authorized by said act approved September 24, 1917, or by said act as amended by said act approved April 4, 1918, the principal of which does not exceed in the aggregate \$5,000 owned by any individual, partnership, association or corporation, shall be exempt from the taxes provided for in clause (b) above.

Interim receipts will be issued if necessary pending delivery of definitive certificates.

Please note that payment may be made at par and accrued interest to date of payment either by book credit or by check on this bank or other funds available in New York on the day of receipt. If, however, payment is made in funds not available on the day of receipt, remittance should include interest to the date when such funds will become available.

The Federal Reserve Bank of New York, if desired by subscribing banks, will receive and hold in custody for their account, subject to their order, their certificates of indebtedness of this and future issues.

The Secretary of the Treasury announces that it is expected that this will be the last offering of Treasury Certificates of Indebtedness in anticipation of the Third Liberty Loan. On the opposite page is reprinted copy of announcement authorized by him under date of February 20, 1918 in regard to issues of certificates of indebtedness in anticipation of the Third Liberty Loan.

Respectfully,

BENJ. STRONG,

Governor.

April 13, 1918.