

FEDERAL RESERVE BANK
OF NEW YORK

Government Bond
Department

[Circular No. 255
February 20, 1920]

*Supplemented by
259; see also 252*

Exchange of Temporary 4% and 4 1/4% Coupon
Liberty Bonds for Permanent Bonds

*To all Banks, Trust Companies and Savings Banks
in the Second Federal Reserve District*

DEAR SIRS:—Enclosed is a copy of Treasury Department Circular No. 164, dated December 15, 1919, regarding the exchange of temporary 4% and 4 1/4% coupon Liberty bonds for permanent bonds.

Methods of Handling Exchanges Through Banking Institutions

In accordance with the provisions of that circular there are *two methods* that may be used by the banks, which are as follows:

Delivering Permanent Bonds to Incorporated Banks and Trust Companies

First—Paragraph 8 of the Circular provides that incorporated banks and trust companies designated as special depositaries of public moneys pursuant to Treasury Department Circular No. 92, may receive a supply of permanent bonds on consignment by the pledging of collateral security in the form of bonds, notes or certificates of indebtedness of the United States. This method will enable banks to make immediate exchanges of temporary bonds presented to them by their customers.

Receiving from Customers Temporary Bonds to be sent to Federal Reserve Bank for Exchange

Second—Incorporated banks and trust companies not wishing to adopt the first method may, in accordance with the provisions of paragraph 7 of Circular No. 164, receive from their customers temporary bonds and forward them to the Federal Reserve Bank of New York for exchange.

The advantage in receiving bonds on consignment, as outlined in the first method, will enable banks to make immediate exchanges of all temporary bonds presented by their customers thereby eliminating the necessity of issuing a receipt. *The same result, however, may be accomplished if banks holding temporary bonds for their own account exchange them and use the permanent bonds for making immediate exchanges of temporary bonds surrendered.*

Reimbursement for Transportation Charges

The postage, registration fee and risk upon shipments in connection with the exchange of temporary for permanent bonds, between incorporated banks and trust companies and the Federal Reserve Bank of New York, will be borne by the United States Government provided the following procedure is strictly adhered to:

(a) All temporary bonds and collateral security forwarded to the Federal Reserve Bank of New York, by an incorporated bank or trust company, must be listed by issue and serial number on triplicate forms which will be supplied for its use; the original to be forwarded by regular mail under separate cover, the duplicate to be enclosed with the securities and the triplicate to be retained by the forwarding bank for its files.

Upon receipt of the original advice of shipment the insurance will be effected by the Federal Reserve Bank of New York and banks will be reimbursed for postage and registration fees by check, which will be forwarded as soon as possible after the first of each month for shipments received during the preceding month.

(b) All temporary bonds surrendered to the Federal Reserve Bank of New York for credit to permanent bond consignment account under the first method must be stamped on the face with a legend reading:

"Accepted in exchange for permanent bonds of the same issue and receivable only for credit of:

(Name Bank or Trust Company)

and all temporary bonds surrendered for exchange under the second method must be stamped with a legend reading:

"Presented for exchange for permanent bonds by:

(Name of Bank or Trust Company)

Rubber stamps for this purpose will be furnished by the Federal Reserve Bank of New York.

(c) Delivery record by serial number should be maintained of all bonds delivered in order that the ultimate delivery of a permanent bond may be determined if occasion arises.

¶ The forms to be used in handling the transactions between banks and the Federal Reserve Bank of New York are now in the course of preparation and, in order that we may be informed as to the method each bank wishes to adopt and to enable us to supply the proper rubber stamp for its use, we would appreciate your indicating on the enclosed form the method you wish to pursue, forwarding it to us as promptly as possible in the enclosed return envelope.

Yours very truly,

J. H. CASE,

Acting Governor.

With enc 255

EXCHANGES OF TEMPORARY 4 PER CENT AND 4 1-4 PER CENT COUPON LIBERTY BONDS FOR PERMANENT BONDS.

1919.
Department Circular No. 164.
Loans and Currency.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,

Washington, December 15, 1919.

To Holders of 4 per cent and 4½ per cent coupon Liberty Bonds, Federal Reserve Banks, banks and trust companies incorporated under the laws of the United States or of any State, and others concerned:

1. The rules and regulations herein prescribed will govern exchanges of the 4 per cent and 4½ per cent coupon Liberty bonds originally issued, hereinafter called temporary bonds, for like bonds with all subsequent coupons covering interest payments to maturity attached, hereinafter called permanent bonds, exchanges of temporary bonds for registered bonds, and conversions and exchanges of temporary 4 per cent bonds. The temporary bonds referred to in this circular were issued, respectively, pursuant to Treasury Department Circulars No. 90, dated October 1, 1917, No. 93, dated October 19, 1917, No. 111, dated April 6, 1918, No. 114, dated May 9, 1918, No. 121, dated September 28, 1918, and No. 123, dated October 24, 1918.
2. The temporary 4 per cent and 4½ per cent coupon Liberty bonds, pursuant to their terms and the terms of the Treasury Department circulars under which they were respectively issued, have no interest coupons attached covering interest payments after the following dates, respectively:

Title.	Date of last coupon.
First Liberty Loan Converted 4 per cent bonds of 1932-1947.	Dec. 15, 1919
First Liberty Loan Converted 4½ per cent bonds of 1932-1947.	June 15, 1920
First Liberty Loan Second Converted 4½ per cent bonds of 1932-1947.	Dec. 15, 1920
Second Liberty Loan 4 per cent bonds of 1927-1942.	Nov. 15, 1919
Second Liberty Loan Converted 4½ per cent bonds of 1927-1942.	May 15, 1920
Third Liberty Loan 4½ per cent bonds of 1928.	Mar. 15, 1920
Fourth Liberty Loan 4½ per cent bonds of 1933-1938.	Oct. 15, 1920

All temporary bonds presented for exchange under the provisions of this circular must by their terms be exchangeable on and after said dates, respectively, for like bonds with all subsequent coupons attached. Temporary bonds presented for exchange should have all interest coupons detached, for collection in ordinary course when due. The permanent coupon bonds will have the same dates of issue, respectively, as the temporary bonds, and will bear the facsimile signatures of the Secretary of the Treasury and Register of the Treasury in office on said dates, respectively.

EXCHANGES OF TEMPORARY BONDS FOR REGISTERED BONDS.

3. **Important.**—All 4 per cent and 4½ per cent *registered* Liberty bonds are in permanent form and need not be exchanged for other bonds, except that 4 per cent registered bonds may be converted into 4½ per cent bonds pursuant to the regulations governing the extended conversion privilege set forth in Treasury Department Circular No. 137, dated March 7, 1919, as amended and supplemented June 10 and November 1, 1919. Holders of temporary 4 per cent and 4½ per cent coupon Liberty bonds are, therefore, strongly urged to present their coupon bonds for exchange into registered bonds instead of for coupon bonds in permanent form, and in that event will promptly receive registered bonds upon exchange. All temporary 4 per cent coupon Liberty bonds presented on or after November 15, 1919, and December 15, 1919, respectively, for exchange into registered bonds (and all 4 per cent registered Liberty bonds presented on or after said dates, respectively, for exchange for coupon bonds), will, unless otherwise expressly indicated in writing by the holder, be deemed to be presented also for conversion into 4½ per cent bonds. Arrangements similar to those described in paragraph 7 hereof may be made for the transportation of the temporary bonds so surrendered in exchange for registered bonds from incorporated banks and trust companies to Federal Reserve Banks by registered mail insured, at the expense and risk of the United States. The registered bonds issued in exchange for temporary coupon bonds so surrendered will be delivered by registered mail at the expense and risk of the United States.

GENERAL PROVISIONS.

4. In view of the extension of the conversion privilege, Treasury Department Circular No. 158, dated September 8, 1919, to which reference is hereby made, has prescribed special rules and regulations governing the exchange and conversion of 4 per cent coupon Liberty bonds. This circular provides, among other things, that while permanent 4 per cent bonds of the Second Liberty Loan and of the First Liberty Loan Converted will be issued in exchange for temporary 4 per cent bonds after November 15, 1919, and December 15, 1919, respectively, if specifically requested, it is not expected that such permanent bonds will be available for delivery before March 15, 1920. Said circular provides further that all temporary 4 per cent bonds presented on or after November 15, 1919, and December 15, 1919, respectively, for exchange into permanent bonds, will, unless otherwise expressly indicated in writing by the holder, be deemed to be presented for conversion into 4½ per cent bonds, as well as for exchange into permanent bonds, and will be held in suspense pending the date when the permanent 4½ per cent bonds of the Second Liberty Loan Converted and of the First Liberty Loan Converted will be available for delivery, which, it is expected, will be about March 15, 1920. In view of the provisions of said circular, therefore, there will be no exchanges of temporary 4 per cent bonds for permanent coupon bonds before March 15, 1920, and by that date it is expected that permanent 4½ per cent bonds of the Second Liberty Loan Converted and of the First Liberty Loan Converted will be available for delivery, not only upon exchange and conversion of temporary 4 per cent bonds but also in exchange for the temporary 4½ per cent bonds.

5. The dates upon which the permanent coupon bonds of the several issues may be expected to begin to be available for delivery in exchange for temporary bonds are accordingly as follows:

Title.	Date for exchange.
First Liberty Loan Converted 4 per cent bonds of 1932-1947	Mar. 15, 1920
First Liberty Loan Converted 4½ per cent bonds of 1932-1947	Mar. 15, 1920
First Liberty Loan Second Converted 4½ per cent bonds of 1932-1947	Dec. 15, 1920
Second Liberty Loan 4 per cent bonds of 1927-1942	Mar. 15, 1920
Second Liberty Loan Converted 4½ per cent bonds of 1927-1942	Mar. 15, 1920
Third Liberty Loan 4½ per cent bonds of 1928	Mar. 15, 1920
Fourth Liberty Loan 4½ per cent bonds of 1933-1938	Oct. 15, 1920

EXCHANGES AT OFFICIAL AGENCIES.

6. Exchanges of temporary for permanent bonds may be effected at any Federal Reserve Bank, or at the Treasury Department, Division of Loans and Currency, Washington, beginning on or about the respective dates set forth in paragraph 5 hereof. No charge for the exchange will be imposed by the United States. Denominational exchanges may be effected at the same time as exchanges of temporary for permanent bonds. The several Federal Reserve Banks located in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco have been designated as fiscal agents of the United States, to receive and collate applications for the permanent bonds, to accept surrenders of the temporary bonds, to effect exchanges of the temporary bonds for permanent bonds, and to make deliveries of the permanent bonds upon exchange. The temporary bonds to be exchanged must be presented and surrendered to a Federal Reserve Bank or to the Treasury Department accompanied by Request for Exchange on Form L. & C. 305, or a substantially similar form, signed with the respective autograph signatures of the holders of the bonds presented for exchange, and must be delivered at the risk and expense of the respective holders, with all transportation charges prepaid (unless presented to Federal Reserve Banks by incorporated banks and trust companies pursuant to the special arrangements described in paragraph 7 hereof). Specific instructions for the issue and delivery of the permanent bonds should accompany the request for exchange. (Use Form L. & C. 305, copies of which, or of a substantially similar form, may be obtained, upon application, from any Federal Reserve Bank or from the Treasury Department.) Deliveries of the permanent bonds issued upon exchange in accordance with the provisions of this circular will be made within the United States, its Territories, and insular possessions at the expense and risk of the United States.

7. Many incorporated banks and trust companies within the United States will, it is expected, offer to undertake exchanges of temporary bonds for permanent bonds for their customers without expense to the holders. Holders of temporary bonds who avail themselves of the assistance of their own banks and trust companies in effecting the exchanges, will, of

course, present and surrender the temporary bonds through such institutions. Special arrangements may be made by such incorporated banks and trust companies with the Federal Reserve Banks of their respective districts for the transportation of temporary bonds from the incorporated banks and trust companies to the Federal Reserve Banks by registered mail insured, at the expense and risk of the United States, provided that the shipments are made in accordance with the instructions of the Federal Reserve Bank, and the postage and registration charges on such shipments, if paid in the first instance by the incorporated bank or trust company, will be reimbursed to it by the United States through the Federal Reserve Bank upon appropriate voucher. Full information concerning such arrangements will be furnished by Federal Reserve Banks to incorporated banks and trust companies upon application. Such arrangements for the transportation of the temporary bonds can not be effected if the bonds are submitted direct to the Treasury Department instead of to a Federal Reserve Bank, or if submitted to a Federal Reserve Bank by any person other than an incorporated bank or trust company. All temporary bonds forwarded by incorporated banks and trust companies to the Federal Reserve Banks for exchange pursuant to such arrangements must be indelibly stamped on the face with a legend reading as follows: "Presented for exchange for permanent bonds, by-----";

(Name of bank or trust company.)

all such bonds so stamped shall thenceforth be deemed nonnegotiable, and will be accepted by the Federal Reserve Banks or the Treasury Department only when presented for exchange by or for account of the bank or trust company named thereon. Deliveries of the permanent bonds issued upon such exchanges will be made to the incorporated bank or trust company presenting the temporary bonds for exchange, and will be made within the United States, its Territories and insular possessions, at the expense and risk of the United States. Incorporated banks and trust companies in effecting exchanges pursuant to this paragraph act as agents of the holders of the bonds and not as agents of the United States, and the United States will not be responsible for the receipt or custody of the temporary bonds by any such incorporated bank or trust company, nor for the custody or delivery by the bank or trust company of the permanent bonds issued upon exchange.

DELIVERIES OF PERMANENT BONDS TO INCORPORATED BANKS AND TRUST COMPANIES FOR PURPOSES OF EXCHANGE.

8. In order to facilitate exchanges of temporary for permanent bonds, limited amounts of permanent bonds will be made available, from time to time, until the expiration of six months from the respective dates named in paragraph 5 hereof, through the Federal Reserve Banks to incorporated banks and trust companies within the continental United States which are duly designated as special depositaries of public moneys pursuant to Treasury Department Circular No. 92, of April 17, 1919, and which qualify therefor, before receiving such deliveries of permanent bonds, by pledging as collateral security for the permanent bonds to be delivered a like face amount of bonds, notes, or certificates of indebtedness of the United States Government, of any issue, and otherwise comply with the terms and conditions set out in the official application blank provided for that purpose (Form L. & C. 304, copies of which, or of a substantially similar form, may be obtained, upon application, from the Federal Reserve Banks of the respective districts). Applications for such deliveries of permanent bonds must be filed upon the official application blank with the Federal Reserve Bank of the district in which the bank or trust company is located; and designated depositaries receiving permanent bonds on such applications will be conclusively presumed to have assented to all the terms and provisions hereof and of such applications and to the retention of the collateral security pledged or to be pledged as collateral security thereunder and hereunder. The Federal Reserve Bank may reject any application or allow it for a smaller amount of bonds than that applied for; in fixing the amount of permanent bonds for which it will apply, the applicant bank or trust company should be guided by the amount of exchanges which it expects to make for itself and its customers within a reasonable period of time after the date of the application. All securities tendered as collateral security for deliveries of permanent bonds on such applications must be deposited with the Federal Reserve Bank of the district, as fiscal agent of the United States, and the right is reserved to call for additional collateral security at any time. The examination and approval of the securities is committed to the several Federal Reserve Banks, acting under the direction of the Secretary of the Treasury; the withdrawal of securities, the pledge of additional securities, and the substitution of securities shall be made from time to time as required or permitted by the Federal Reserve Banks acting under like direction.

9. Unless and until delivered by the applicant bank or trust company in exchange for temporary bonds in accordance with the terms of the application and of this circular, the permanent bonds obtained on such applications shall remain unissued and be subject to withdrawal

by the Federal Reserve Bank on demand; and all temporary bonds received and stamped by such banks and trust companies in accordance therewith will thenceforth be deemed nonnegotiable and will cease to have validity for any purpose except for credit to the account of the bank or trust company named thereon with the Federal Reserve Bank. For all temporary bonds received and stamped and delivered to the Federal Reserve Bank in accordance with such applications, the applicant bank or trust company will receive appropriate credit in its "permanent bond" account with the Federal Reserve Bank.

10. The transportation charges and risks upon shipments of temporary bonds from and deliveries of permanent bonds to incorporated banks and trust companies making application for deliveries of permanent bonds under this title and receiving permanent bonds thereon, and the transportation charges and risks upon shipments of the collateral security required upon such applications to and from the Federal Reserve Banks, will be borne by the United States, provided that the shipments are made in accordance with the instructions of the Federal Reserve Bank from which the permanent bonds are obtained, and the postage and registration charges on such shipments, if paid in the first instance by the bank or trust company, will be reimbursed to it by the United States through the Federal Reserve Banks upon appropriate voucher. Full information as to such shipments must first be secured by incorporated banks and trust companies from the Federal Reserve Banks of the respective districts. Incorporated banks and trust companies will not be reimbursed for other expenses arising in connection with such exchanges.

11. The United States will not be responsible for the receipt or custody of temporary bonds received by any incorporated bank or trust company securing permanent bonds upon applications pursuant to paragraph 8 hereof, nor for the custody or delivery of permanent bonds by any such bank or trust company.

CONVERSION AND EXCHANGE OF TEMPORARY FOUR PER CENT BONDS.

12. In cases where temporary 4 per cent coupon bonds of the Second Liberty Loan or of the First Liberty Loan Converted are presented for both conversion and exchange after November 15 and December 15, 1919, respectively, and before May 15 or June 15, 1920, as the case may be, in accordance with the provisions of said Treasury Department Circular No. 158, dated September 8, 1919, holders of the surrendered 4 per cent bonds will receive with the $4\frac{1}{4}$ per cent coupon bonds in permanent form issued upon such conversion and exchange, a special interest coupon, payable on May 15, 1920, or June 15, 1920, as the case may be, and covering the interest payment at 4 per cent per annum to which they may be entitled up to and including said dates, respectively. Such special interest coupons will accompany, or be attached to, the permanent $4\frac{1}{4}$ per cent bonds so issued, and such bonds, with coupons, will be subject otherwise in all respects to the provisions of this circular, except as herein otherwise specifically provided. Incorporated banks and trust companies receiving permanent bonds upon applications pursuant to paragraph 8 hereof will not be authorized, however, to deliver any such permanent $4\frac{1}{4}$ per cent bonds in exchange for 4 per cent coupon Liberty bonds presented for both exchange and conversion pursuant to the provisions of this circular or of said Treasury Department Circular No. 158. Such combined conversions and exchanges can be effected only at the several Federal Reserve Banks and at the Treasury Department, Division of Loans and Currency, Washington, but special arrangements therefor may be made by incorporated banks and trust companies in accordance with the provisions of paragraph 7 hereof.

13. As provided in said Treasury Department Circular No. 158, holders of temporary 4 per cent coupon Liberty bonds who present them for conversion into $4\frac{1}{4}$ per cent bonds as well as for exchange into registered bonds will promptly receive registered $4\frac{1}{4}$ per cent bonds, bearing interest at the rate of $4\frac{1}{4}$ 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 interest at 4 per cent per annum accruing after November 15, 1919, and December 15, 1919, respectively, to which the holders of such bonds so surrendered may be entitled, will be paid to the holders by check.

OTHER PROVISIONS.

14. 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, and may make at any time special arrangements for exchanges of temporary for permanent bonds in the Territories and insular possessions of the United States.

CARTER GLASS,

Secretary of the Treasury.

WASHINGTON : GOVERNMENT PRINTING OFFICE : 1919

With circ 255.

February , 1920.

FEDERAL RESERVE BANK OF NEW YORK,
Government Bond Department,
120 Broadway, New York.

DEAR SIRS:

The undersigned desires to handle the exchange of temporary for definitive Liberty bonds as described in your Circular No. 255, by

(Method desired) is marked X

- Receiving permanent bonds on consignment as outlined in the first method.
- Receiving temporary bonds from customers and forwarding to Federal Reserve Bank of New York for exchange into permanent bonds as outlined in the second method.
- We intend to exchange our own temporary bonds and use the permanent bonds so received for making immediate exchanges of temporary bonds surrendered by our customers.

Will you please forward the necessary forms to be used in conducting the work between our institution and the Federal Reserve Bank of New York also an appropriate rubber stamp to be used for stamping all temporary bonds forwarded to you.

Very truly yours,

(Name of Institution)

(City)

(State)

(Official Signature)