

FEDERAL RESERVE BANK  
OF NEW YORK

Fiscal Agent of the United States

[Circular No. 1089]  
[February 24, 1932]

To all Banking Institutions in the  
Second Federal Reserve District:

The following is the text of a circular letter which the Secretary of the Treasury has requested us to mail to each banking institution in this district.

The Treasury Department, on or about March 7th, at the time of announcing its March financing program, in connection with the campaign initiated by the President to put idle money to work, and in order to meet a demand for a Government obligation with short maturity in small denominations, will offer a special United States Treasury Certificate.

The new certificates will probably have a maturity of one year, and will be redeemable upon 60 days' notice by the holder. The interest rate will be announced at the time of the formal offering, but in all probability will be in line with the current yield on 60-day Government obligations, and not less than 1½ per cent. The certificates will be issued only in coupon form, in denominations of \$50, \$100, and \$500.

During the week beginning Monday, March 7th, the Citizens' Reconstruction Organization will conduct, in practically every community of the country, an educational campaign against the hoarding of currency, with a view to acquainting the public with the harmful results of this practice. It is understood that these local committees will urge that hoarded funds be either deposited in the banks or invested in the special Treasury certificates.

While banks will be able to obtain the new certificates upon a cash subscription, it is believed that in the majority of cases they will prefer to obtain the certificates through the so-called "War Loan Deposit" account with the Federal Reserve Bank. Under the well-established War Loan deposit system, banks may subscribe for Government obligations and pay for them by means of a deposit to the credit of the Federal Reserve Bank as fiscal agent of the United States. Inasmuch as payment by this method is in the form of credit, should funds for the purchase of certificates be withdrawn by depositors of the subscribing bank, they will automatically be replaced by a Government deposit, which will remain with the bank until called for by the Treasury. Should the certificates be purchased with currency held outside of banks, the banks receiving the subscriptions will gain the cash deposited by the subscriber, while they may pay for the certificates delivered to the subscriber by means of a deposit credit for the account of the Government.

Those banks which are not at present designated to act as War Loan Depositaries, and which may desire to obtain a depository designation for the purpose of obtaining the new certificates on credit, should take steps immediately to qualify. Enclosure A, herewith, describes briefly the War Loan Deposit Account and explains the procedure necessary to obtain a designation as depository. In addition, Enclosure B, (Treasury Department Circular No. 92), sets forth the official regulations of the Treasury Department governing deposits of this class.

It is clear that a bank qualifying as a War Loan Depository, as above-described, will be in a position to facilitate the work of the local committee of the Citizens' Reconstruction Organi-

zation, for it will thus be enabled to obtain, through its credit subscription, a supply of the new certificates which will be readily available for delivery to those of its customers, whether depositors or not, who desire to acquire them, and, as previously stated, qualification as a depository carries the advantage of permitting the bank, through its credit subscription, to obtain a Treasury War Loan Account deposit which it may rely upon retaining for a reasonable length of time.

The Treasury Department particularly desires that the campaign against the hoarding of currency, which campaign it heartily approves, shall not be treated as an intensive drive to sell the new Treasury certificates. The certificates, as stated, are being offered to meet a demand for a Government obligation with short maturity in small denominations. Your bank will find it desirable to limit its subscription, therefore, to the amount of certificates necessary, in your judgment, to meet the requirements of your customers. As long as the subscription books remain open, additional supplies of certificates can be promptly obtained through supplemental subscription, and for this reason banks are urged not to subscribe for amounts of certificates in excess of anticipated sales. While the Treasury reserves the right to close the subscription books at any time, it is anticipated that this offering will remain open somewhat longer than the usual offerings in connection with current Treasury financing.

The details of the offering of Treasury certificates will not be formally announced until March 7th. The subscription books have not yet been opened, and no subscription should be entered until formal announcement of the offering of certificates is received from the Federal Reserve Bank.

It is important, however, that you give immediate attention to the matter of a War Loan Depository Account, if your bank has not already been designated as a depository and you contemplate participating in the new offering through a credit rather than a cash subscription. If you desire to obtain designation as a War Loan Depository, under the terms of the enclosed circular, you are urged to communicate with the Federal Reserve Bank at the earliest possible date.

Enclosures A and B referred to in the foregoing circular letter are hereto attached.

GEORGE L. HARRISON,  
Governor.

(Enclosure A)

## War Loan Deposit Account

Under the provisions of Treasury Department Circular No. 92, (revised February 23, 1932), any incorporated bank or trust company in the United States subscribing for bonds, notes or certificates of the United States, for itself or its customers, when qualified as a War Loan Depository, may make payment for such securities through a book credit in an account known as the "War Loan Deposit Account."

Any bank or trust company desiring to qualify as a depository in order to avail itself of this privilege, should submit an application for deposits to the Federal Reserve Bank of the district, accompanied by a certified copy of a resolution, duly adopted by its board of directors, authorizing the application for such deposits. Forms H-5 and J-5, respectively, appended to Treasury Circular No. 92 (revised February 23, 1932), a copy of which is attached as Enclosure B, must be followed in preparing the application and resolution.

In entering subscriptions for Government securities a bank, if it desires to make payment by credit in its War Loan Deposit Account, should so indicate in the space provided for that purpose on the subscription form furnished by the Federal Reserve Bank. The depository bank will be notified by the Federal Reserve Bank of the amount allotted under its subscription and will then issue a certificate of advice to the Federal Reserve Bank substantially in Form K-2, also attached to Circular No. 92, (revised February 23, 1932).

Special attention is invited to the provisions of the circular relating to the collateral securities required, and to the provisions relating to the payment of interest on and withdrawal of deposits.

(Enclosure B)

**SPECIAL DEPOSITS OF PUBLIC MONEYS UNDER THE ACT OF CONGRESS APPROVED SEPTEMBER 24, 1917,  
AS AMENDED.**

1932  
Department Circular No. 92  
Revised

**TREASURY DEPARTMENT.**

**OFFICE OF THE SECRETARY.**

**Accounts and Deposits**

Washington, February 23, 1932.

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

Department Circular No. 92, dated October 1, 1928, as amended, is revised to read as follows:

**GENERAL PROVISIONS**

Any incorporated bank or trust company in the United States desiring to participate in deposits of public moneys, as authorized by the Act of Congress approved September 24, 1917, as amended, should make application to the Federal Reserve Bank of its district.

Application for deposit of public moneys under said Act must be in Form H-5, hereto attached, and must be accompanied by a certified copy of a resolution, duly adopted by the board of directors of the applicant, in Form J-5, hereto attached.

Depositaries already qualified to a sufficient amount pursuant to Department Circular No. 92, dated October 1, 1928, as amended, will not be required to file new formal applications or resolutions, but if they desire to receive or retain deposits after March 7, 1932, must so notify the Federal Reserve Bank of the district in which they are located; and they will, by the acceptance or retention of deposits after March 7, 1932, be conclusively presumed to have assented to all the terms and provisions hereof, and to the retention of collateral security theretofore pledged as collateral security hereunder.

Depositaries heretofore designated, which have been wholly inactive for a period of two years preceding the date of this circular, will be discontinued, and, in the future, the designations of all such depositaries which have not applied for deposits for a period of two years will be automatically canceled. Depositaries so discontinued may be redesignated at any time, upon full compliance with the terms of this circular and upon recommendation of the Federal Reserve Banks. Depositaries, heretofore or hereafter designated, which, having subscribed to an offering of United States bonds, notes, or certificates of indebtedness, and having in due course received an allotment on their subscription, refuse to receive the said allotment and make payment therefore, may be discontinued. Depositaries so discontinued may be redesignated upon full compliance with the terms of this circular, upon recommendation of the Federal Reserve Bank of their district, and upon the approval of the Secretary of the Treasury.

In fixing the maximum amount of deposits for which it will apply, the applicant bank or trust company should be guided by the amount of the payments which it expects to make, for itself and others, on account of bonds, notes, and certificates of indebtedness of the United States issued under authority of said Act, and income taxes, as the case may be, and, as well, by any statutory limitations upon the amount of deposits which the applicant bank or trust company may receive from any one depositor.

Any application may be rejected or the applicant may be designated for a smaller maximum amount than that applied for. After receiving the recommendations of the Federal Reserve Banks, the Secretary of the Treasury will designate approved depositaries.

**COLLATERAL SECURITY**

Designated depositaries will be required before receiving deposits to qualify by pledging as collateral security for such deposits, including interest thereon, securities of any of the following classes, to an amount, taken at the rates and conforming to the conditions provided below, at least equal to such deposits:

**1. UNITED STATES GOVERNMENT SECURITIES.** Bonds, notes, certificates of indebtedness, and Treasury bills of the United States Government of any issue, including interim certificates or receipts for payment therefore; all at face value.

**2. FEDERAL FARM LOAN, INSULAR, AND TERRITORIAL GOVERNMENT SECURITIES.** Bonds and debentures issued under the Federal Farm Loan Act, as amended, bonds of Porto Rico, bonds

and certificates of indebtedness of the Philippine Islands, and bonds of the Territory of Hawaii; all at market value, not to exceed face value.

**3. STATE BONDS.** Bonds of any State of the United States; at market value; not to exceed face value.

**4. STATE NOTES, CERTIFICATES OF INDEBTEDNESS AND WARRANTS.** Approved notes, certificates of indebtedness, and warrants issued by any State of the United States; at 90 per cent of market value, not to exceed face value.

**5. MUNICIPAL SECURITIES.** Approved bonds of any county, city, or political subdivision in the United States; and approved notes, certificates of indebtedness, and warrants with a fixed maturity issued by any county or city in the United States, which are direct obligations of the county or city as a whole, or which are payable from general taxes levied on all taxable property in such county or city; all at 90 per cent of market value, not to exceed face value; provided, that the obligations tendered are issued by a county, city, or political subdivision in the United States which has obligations classified in one of the three highest grades by a recognized investment service organization regularly engaged in the business of rating or grading bonds.

**6. RAILROAD, PUBLIC UTILITY AND INDUSTRIAL SECURITIES.** Approved bonds, listed on a recognized stock exchange, and notes, of domestic railroad companies within the United States; approved equipment trust obligations of such domestic railroad companies; and approved bonds and notes of domestic electric railway and traction companies, telephone and telegraph companies, electric-light, power, and gas companies, and industrial companies, secured (directly or by the pledge of mortgage bonds) by mortgage upon physical properties in the United States and listed on a recognized stock exchange; all at 75 per cent of market value, not to exceed face value; provided, that all such bonds, notes and obligations are classified in one of the four highest grades by a recognized investment service organization regularly engaged in the business of rating or grading bonds.

**7. NATIONAL CREDIT CORPORATION GOLD NOTES.** Gold notes of the National Credit Corporation; at 90 per cent of face value.

**8. COMMERCIAL PAPER AND BANKERS' ACCEPTANCES.** Commercial paper and bankers' acceptances having maturity at the time of pledge of not to exceed six months, exclusive of days of grace, and which are otherwise eligible for rediscount or purchase by Federal Reserve Banks, and which have been approved by the Federal Reserve Bank of the district in which the depository is located; at 90 per cent of face value. All such commercial paper and acceptances must bear the indorsement of the depository bank or trust company.

**9. CUSTOMERS' NOTES, DRAFTS, AND BILLS OF EXCHANGE.** Customers' notes, drafts, and bills of exchange indorsed by a correspondent incorporated bank or trust company and rediscounted by the depository bank or trust company, when approved by the Federal Reserve Bank of the district in which the depository is located; at 75 per cent of face value. All such notes, drafts, and bills of exchange must bear the indorsement of the depository bank or trust company.

**10. NOTES AND BILLS PAYABLE OF A CORRESPONDENT INCORPORATED BANK OR TRUST COMPANY.** Notes and bills payable of a correspondent incorporated bank or trust company secured by customers' notes, drafts, or bills of exchange, or by other collateral eligible under this circular, to at least an equal amount, when approved by the Federal Reserve Bank of the district in which the depository is located; at 75 per cent of face value. All such notes and bills payable must bear the indorsement of the depository bank or trust company.

No security shall be valued at more than face value. No municipal bond, obligation, or evidence of indebtedness, shall be accepted unless the municipality has been in existence for a period of ten years. No state or municipal bond, obligation, or evidence of indebtedness shall be accepted if the state or municipality has made default in payment of principal or interest during the past ten years.

The right is reserved to call for additional collateral security at any time.

The approval and valuation of 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.

#### CUSTODY OF SECURITIES

All securities accepted as collateral security for deposits hereunder must be deposited with the Federal Reserve Bank or branch of the district in which the depository is located, as fiscal agent of the United States.

## HOW DEPOSITS ARE TO BE MADE

Each qualified depository will be required to open and maintain or continue for the account of the Federal Reserve Bank of its district, as fiscal agent of the United States, a separate account for deposits to be made hereunder, to be known as the "War Loan Deposit Account."

Qualified depositories, if and to the extent from time to time hereafter authorized by the Secretary of the Treasury, may be permitted to make payment by credit, when due, of amounts payable on subscriptions made by or through them for bonds, notes and certificates of indebtedness of the United States issued under authority of said Act. In order to make payment by credit, the depository must, on or before the date when such payment is due, notify the Federal Reserve Bank of the district of such intention and issue a certificate of advice to such Federal Reserve Bank, stating that a sum specified has been deposited with such depository for the account of such Federal Reserve Bank, as fiscal agent of the United States, in the War Loan Deposit Account. Such certificate of advice must be substantially in Form K-2 hereto attached.

Payment of income taxes can not be made by credit. Out of the unexpended cash proceeds, if any, arising from the payment of income taxes, deposits may be made through the Federal Reserve Banks, under direction of the Secretary of the Treasury, with qualified depositories throughout the United States, as may be hereafter announced by the Secretary of the Treasury.

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

The amount deposited with any depository shall not in the aggregate exceed at any one time (a) the maximum amount for which it shall have been designated as a depository, nor (b) the aggregate amount of the collateral security pledged by it taken at the rates hereinbefore provided.

## WITHDRAWAL OF DEPOSITS

All deposits will be payable on demand without previous notice. Calls for withdrawals of deposits with special depositories will be made through the Federal Reserve Banks, and depositories will be required to arrange for payments of such calls in funds that will be immediately available on the payment due date.

## INTEREST ON DEPOSITS

Each depository will be required to pay interest at the rate of one-half of one per cent per annum on daily balances.

The right is reserved to amend or supplement or revise the provisions of this circular at any time or from time to time.

**OGDEN L. MILLS,**  
*Secretary of the Treasury.*

APPLICATION FOR DEPOSITS

To the Federal Reserve Bank of \_\_\_\_\_, fiscal agent of the United States:
The undersigned bank or trust company, in accordance with the provisions of Treasury Department Circular No. 92, (revised, February 23, 1932), and pursuant to due action of its board of directors, hereby makes application for the deposit of public moneys with it from time to time under the Act of Congress approved September 24, 1917, as amended, the aggregate amount of such deposits not to exceed at any one time \$.....; and assigns and agrees to pledge, from time to time to and with the Federal Reserve Bank of \_\_\_\_\_, as fiscal agent of the United States, as collateral security for such deposits as may be made from time to time pursuant to this application, securities of the character and amount required by said circular.

By \_\_\_\_\_ President (Vice President)
Street \_\_\_\_\_
City or Town \_\_\_\_\_
State \_\_\_\_\_

RESOLUTIONS AUTHORIZING APPLICATION FOR DEPOSITS

I hereby certify that the following resolutions were duly adopted at a meeting of the board of directors of the below-named bank (trust company), which meeting was duly called and duly held on the \_\_\_\_\_ day of \_\_\_\_\_, 193\_\_\_\_, a quorum being present, and that the said resolutions were spread upon the minutes of said meeting:

Resolved, That in accordance with the provisions of Treasury Department Circular No. 92, (revised February 23, 1932), this bank (trust company) makes application for the deposit of public moneys with it from time to time under the Act of Congress approved September 24, 1917, as amended, the aggregate amount of such deposits not to exceed at any one time \$.....; and assigns and agrees to pledge from time to time to and with the Federal Reserve Bank of \_\_\_\_\_, as fiscal agent of the United States, as collateral security for such deposits as may be made from time to time, pursuant to such application, securities of the character and amount required by said circular; and

Resolved, That the president, or any vice president, or cashier, or assistant cashier, or secretary, or assistant secretary, or treasurer, or assistant treasurer, of the undersigned bank (trust company) is hereby authorized to make application, assignment, and agreement as aforesaid, and from time to time to deliver to and pledge with said Federal Reserve Bank, or any custodian or custodians appointed by it, securities of the undersigned bank (trust company) of a character and amount at least sufficient to secure such deposits according to the terms of said Treasury Department circular, and from time to time to withdraw securities and to substitute other securities and to pledge and deposit additional securities.

In witness whereof I have hereunto signed my name and affixed the seal of the \_\_\_\_\_ of \_\_\_\_\_

Cashier (Secretary).

CERTIFICATE OF ADVICE

(Title of bank or trust company.)

(Location.)

\_\_\_\_\_, 193\_\_\_\_ (Date.)

I hereby certify that there has been deposited this day with the above bank (trust company), to the credit of the Federal Reserve Bank of \_\_\_\_\_, as fiscal agent of the United States, War Loan Deposit Account, to be held subject to withdrawal on demand, the sum of \_\_\_\_\_ dollars, consisting of payment for

Table with columns for Bonds, Notes, Certificates of indebtedness, and their sub-categories (principal, accrued interest) with dollar amounts.

Total \$.....

Cashier or Vice President.

(The depository will forward this to the Federal Reserve Bank of \_\_\_\_\_.)