

# FEDERAL RESERVE BANK OF CHICAGO

## GOVERNMENT BOND DEPARTMENT CERTIFICATES OF INDEBTEDNESS DIVISION

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ADDRESS ALL COMMUNICATIONS  
RELATIVE TO GOVERNMENT BONDS  
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CIRCULAR No. 64.  
February 21, 1918.

### *TO THE BANKERS OF THE SEVENTH FEDERAL RESERVE DISTRICT:*

The campaign for the sale of United States certificates of indebtedness, dated February 8th, due May 9th, of which fifty million was allotted to this District, closed Friday 15th, and we are happy to report subscriptions received from approximately twenty-five hundred, totaling more than forty-three million dollars. Splendid as we feel this showing to be, we must not overlook the fact that there are in the District about thirty-five hundred banks who did not subscribe, and that we did not place our full allotment. We should and must do better next time.

In view of the fact that another offering of certificates is expected within the next few days, and as there seems to be some confusion as to the proper method of making subscriptions along the lines of the recent telegram sent by Secretary McAdoo to all banks in the country, we wish to offer the following explanation and suggestions.

As we understand it, Mr. McAdoo's desire is that all banks in the country subscribe for certificates of indebtedness as they are issued from time to time until the total subscription by each bank equals ten per cent of the subscribing bank's resources. His suggestion that the sum of one per cent of the resources be set aside each week for ten weeks was merely expressive of his idea of the simplest and easiest method of accumulating the desired ten per cent, and did not mean that a subscription for one per cent should be actually filed with the Federal Reserve bank each week for certificates.

Our conclusion is based upon the fact that offerings of certificates are not made each week but each offering represents a separate and distinct issue, bearing a specific date and maturity; that subscriptions to each issue close on a fixed date and when subscriptions close on an issue no further subscriptions to that issue can be accepted, nor are subscriptions open to other issues until such offerings are officially announced.

Hence our theory of the matter is that when an offering is announced, and you are advised the pro rata your bank should subscribe, which amount will be based on the total allotment to the Seventh District, you should subscribe your full quota allotted to you, whether the amount be more or less than one per cent of your resources, and if you are in condition to meet the request of the Secretary of the Treasury, you should continue to subscribe your full pro rata of each and every issue when and only when such issue is announced, until the total of your subscription equals ten per cent of resources, provided, of course, your pro rata of the total allotment to the District of all offerings made equals such amount.

The thought we most earnestly desire to impress upon you is that you regard each offering as an entirely separate and distinct proposition; that immediately upon being advised of your pro rata of an issue, you subscribe the full amount without regard to other issues past or future. What you may have subscribed to past issues, unless you have already taken your full ten per cent, will not help put over the issue which may be before you, and the problem of what to do with the next issue can be considered when we come to it.

With the advice of each offering you will be furnished with subscription and remittance blanks. It will take but a few minutes to fill these out and return them with your check (or credit advice if you are a depository bank) for the amount of your subscription, plus accrued interest as can be determined by the figures accompanying each announcement. Please do not delay until the day subscriptions close and then wire us, as we find that telegrams are often confirmations of subscriptions previously placed, and they result in many duplications and errors, which cause both the subscriber and the Federal Reserve Bank endless worry and confusion, all of which we wish to avoid as far as possible.

Remember always to study closely the subscription blank that you are about to sign; see that the dates correspond with the offering before you; do not confuse the tax certificates dated February 15th and due June 25th, and which are to be used for tax payments only with the issues referred to in Mr. McAdoo's telegram, and generally known as the Liberty Loan Anticipation Certificates, as it is our understanding that holdings of tax certificates do not count in the ten per cent the Department desires that you invest in the other class of certificates.

We have written you at much greater length than perhaps we should, but we are anxious to put you in possession of all the facts as we understand them, and to answer some of the many questions which we have received. We are enclosing list of County Directors in your state. If there are any further points about which you desire information, communicate with the Director of your County at once. In every way do everything you can to have your gun in good order and your powder dry to the end that when the next order comes to go "over the top" we can do so without delay and with absolute assurance of success. When that order comes the glory of a complete victory or the shame of defeat will be up to you. We confidently await the result.

Sincerely yours,

M. A. TRAYLOR

Director of Sales

U. S. Certificates of Indebtedness.