

# FEDERAL RESERVE BANK OF CHICAGO

GOVERNMENT BOND DEPARTMENT

ROOM 361 - 209 So. LA SALLE STREET

D. A. JONES, ASST. CASHIER  
A. H. VOST, ASST. CASHIER

ADDRESS ALL COMMUNICATIONS  
RELATIVE TO GOVERNMENT BONDS  
P. O. BOX 805

January 24, 1919.  
Circular No. 143.

TO THE BANK OR TRUST COMPANY ADDRESSED:

It has been our practice to permit the banks of this Federal Reserve District to forward payments on Liberty Loan subscriptions at the close of business on the date such payments were due instead of forwarding them to reach us on the payment date as required by Treasury Department regulations. This has been done to enable the banks to determine the amount of bonds on which it was necessary for them to make payment in full.

It develops that many of the banks holding certificates of indebtedness applicable to such bond payments have been forwarding them to us for collection and credit and have made their bond payments by check or credit in War Loan Deposit Account. Under this procedure it is necessary for us to charge the Treasurer's account for the certificates at their maturity, while the offsetting credit, i. e., Liberty Loan payments, are not received by us until the following day, and in most cases too late for clearings. Thus the credit does not go through until the second day after the debit. This invariably results in a large overdraft in the Treasurer's account on our books. For example, on January 16 the bond payment due in this District amounted to approximately \$55,000,000, and there was outstanding the same amount in certificates of indebtedness due on that date, which, theoretically, should offset each other. However, this was not the case as on January 16, \$41,000,000 of these certificates were presented for ordinary redemption, while no bond payments were received by us until January 17.

In order for us to continue the practice of allowing banks to forward their payment at the close of business on the payment date, it is absolutely necessary that those banks having certificates of indebtedness maturing on such date, use them in making their bond payments. In making such payment the certificates must not be forwarded for redemption and a draft drawn against the proceeds but the certificates, themselves, must be sent in with the payment letter.

Continued abuse of our present method of handling these payments will make it necessary for us to insist that Liberty Loan bond payments reach us on the date set for such payments in the Treasury Department circular offering bonds for subscription. We sincerely trust this will not be necessary and hope we may have your cooperation.

FEDERAL RESERVE BANK OF CHICAGO  
Government Bond Department.