

FEDERAL RESERVE BANK OF DALLAS

Circular No. 46.

RELATING TO APPLICATIONS TO SELL UNITED STATES BONDS

January 22, 1917.

TO THE MEMBER BANK ADDRESSED:

Section 18 of the Federal Reserve Act provides that any member bank desiring to retire the whole or any part of its circulating notes may file with the Treasurer of the United States an application to sell for its account at par and accrued interest United States bonds securing circulation to be retired.

It seems appropriate at this time to call this provision to the attention of member banks of this district, and the following suggestions concerning the procedure to be followed in making application during the year 1917 should be borne in mind:

1st: The only bonds that are eligible for sale in this manner are U. S. bonds which at the time of application are actually securing circulation of national bank notes to be retired.

2nd: The applications, each accompanied by a resolution of the board of directors of the member bank, should be forwarded directly to the Treasurer of the United States, Washington, D. C.

3rd: The applications and resolutions must be received by the Treasurer of the United States at least ten days before the end of the quarterly period at which the sale is desired to be made. Therefore for the quarter ending March 31, 1917, applications and resolutions must be received by the Treasurer of the United States on or before March 21, 1917.

4th: It is optional with the Federal Reserve Board whether or not to require the Federal Reserve Banks to purchase the bonds offered for sale.

5th: If the Federal Reserve Banks are required by the Federal Reserve Board to purchase the bonds, the price will necessarily be par and accrued interest.

6th: The aggregate amount of such bonds which the Federal Reserve Banks can be required or permitted to purchase is limited to \$25,000,000. in any one year, but this aggregate amount may furthermore be reduced by the amount of bonds bearing the circulation privilege purchased during the same year by the Federal Reserve Banks in the open market

The Federal Reserve Board has announced that it will not require Federal Reserve Banks to purchase during the year 1917 more than \$15,000,000. of bonds offered for sale by member banks through the Treasurer of the United States. It will, however, require Federal Reserve Banks to purchase on April 1, 1917, so much of that amount of bonds as may be offered for sale through the Treasurer on or before March 21, 1917, provided such bonds, added to the amount of bonds bearing the circulation privilege, purchased by Federal Reserve Banks in the open market during the first quarter, do not exceed \$25,000,000.

Although there is no legal limit on the amount of bonds which may be bought by Federal Reserve Banks in the open market, in order that member banks may have an opportunity to sell the maximum amount of bonds under Section 18, the Federal Reserve Banks will refrain from purchasing 2 per cent bonds in the open market until after March 1, 1917, but will thereafter feel at liberty to make such purchases in the open market. Therefore, it is suggested that member banks desiring to retire their circulation during the year 1917 under the provisions of Section 18 of the Act, file their applications and resolutions with the Treasurer of the United States before March 1, 1917, and at the same time advise the Federal Reserve Bank of Dallas the amount of each application to the Treasurer in order that the Federal Reserve Banks may have prompt knowledge of the total amount of bonds offered to the Treasurer of the United States and thus be enabled to arrange their open market purchases with regard to the best interests of member banks.

A form of application to the Treasurer of the United States, together with the special form of resolution required, both of which should be duly executed and forwarded direct to the Treasurer of the United States, Washington, D. C., at THE EARLIEST DATE POSSIBLE, will be furnished by this bank, on request, to those banks which contemplate the sale of bonds at this time.

Respectfully,

R. L. VAN ZANDT,

Governor.