

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, August 26, 1943

PROCEDURE RELATING TO ALLOTMENT OF 2% DEPOSITARY BONDS, SECOND SERIES, TO QUALIFIED DEPOSITARIES FOR THE RECEIPT OF WITHHELD TAXES

**To All Banking Institutions
in the Eleventh Federal Reserve District:**

Reference is made to section 8 of Treasury Department Circular No. 714 concerning the methods for offsetting costs incurred by depositaries for withheld taxes in performing their function under the circular by the purchase of 2% Depositary Bonds, Second Series, as described in Department Circular No. 660, First Supplement.

Under the provisions of Circular No. 714, a depositary for withheld taxes may select one of two alternative methods for the purchase of depositary bonds. Under one method, the depositary is permitted to purchase such bonds with its own funds. Under the other method, the Treasury will place with the depositary a balance to the credit of the Treasurer of the United States, provided that such balance will be used to purchase an equal amount of 2% Depositary Bonds, Second Series. It will be observed from the tables comprising Exhibit C of Circular No. 714 that a depositary electing to purchase bonds with its own funds will be permitted to purchase twice the amount that it would be allowed to purchase if it elected to accept a Treasury balance.

Each depositary must furnish this bank or appropriate branch with a subscription for the 2% Depositary Bonds, Second Series, which it may be entitled to purchase under the terms of Circular No. 714. Such subscription shall be made on Treasury Form No. 418, a copy of which is enclosed. This form makes provision for the method of payment to be used by the depositary in purchasing the bonds. The subscription on Form No. 418 should, if possible, be submitted to this bank or branch before the close of the month indicated by you as the period for the determination of the allotment of bonds which you are initially entitled to purchase. Telegraphic advice of subscriptions will be accepted but must be confirmed by the depositary on Form No. 418. The subscription and specified method of payment will remain in effect as long as the depositary is qualified to accept payments of withheld taxes, unless the depositary, in the interim, submits to this bank or branch a new subscription on Form No. 418 indicating a desire to change the method of payment. Appropriate adjustment in bond allotment or Treasury balance will be considered periodically on the basis of fluctuations in the volume of business transacted. The first of such adjustments will be made at the close of the 3-month period of operation after initial allotment of bonds or Treasury balance is established and will be based on the average monthly business transacted during the period under review in relation to allotment or Treasury balance then in effect. Thereafter adjustments will be made at the close of each 6-month period ending on December 31 and June 30. However, a change in the election of the depositary to purchase bonds with its own funds or to take a Treasury balance for the purchase of bonds, is permissible under the terms of Circular No. 714 only on the adjustment dates, December 31 and June 30 of each year.

In determining the amount of the allotment of 2% Depositary Bonds, Second Series, to which depositaries are initially entitled, the computation will be governed by the dates the remittances of withheld taxes are received by this bank or branch. However, depositaries will be allowed the privilege of deciding, and should so indicate on Form No. 418, whether the initial determination of the

amount of bonds allotted should be based upon the business transacted during the month in which it was qualified or upon the business transacted during the month immediately succeeding that in which the depository qualified. For instance, some depositories which were qualified early in August, 1943, will have transacted substantially a full month's business and hence might prefer to have their initial allotment of bonds based upon business transacted during that month in order to have the bonds issued after the close of August rather than after the close of September. **Each depository should make its final remittance of withheld taxes during the month to be used as the period for the initial determination, in sufficient time for such remittance to be received by this bank or branch on or before the last business day of such month.** It is of particular importance that this be done in the case of a depository which may not receive payments of withheld taxes aggregating \$5,000 or more in its first month of operation, and hence under the circular would not be required to remit such payments to this bank or branch until the first business day of the succeeding month.

Upon receipt of the enclosed form No. 418, properly executed, this bank or branch will compute the initial allotment of 2% Depository Bonds, Second Series, that the depository may be allowed to purchase under the method selected and based on transactions for the month indicated in the form by the depository. The bonds will be issued in the name of the Federal Reserve Bank of Dallas, as fiscal agent of the United States, and will be held in safekeeping by this bank or branch in trust for the depository, as required by Circular No. 714. Bonds purchased with funds deposited by the Treasury for that purpose will be issued in like manner and will be held as collateral security for such deposit.

Those banks which elect to take a Treasury balance should carry the deposit balance in an account entitled, "Federal Reserve Bank of Dallas, Fiscal Agent of the United States, for account of the Treasurer of the United States—Time Deposit." Such deposit balance does not constitute a demand deposit, but is a time deposit subject to withdrawal upon thirty days' notice of the Secretary of the Treasury given through this bank or branch. At the close of each month a statement must be submitted to this bank or branch by such bank confirming the amount of the balance in the account.

Interest checks will be issued by this bank or branch, on semiannual interest payment dates, to the owners of depository bonds as provided in Circular No. 660, First Supplement. Generally, one bond will be issued to depositories for the full amount allotted; however, in case several bonds are issued to the same depository between two interest payment dates, with different issue dates, the interest due on the first semiannual interest payment date will accrue from the issue date of each bond.

While this circular is of particular interest to banks which have qualified as depositories to receive payments of withheld taxes, it is also being transmitted to all banking institutions in the Eleventh Federal Reserve District for their information.

Yours very truly,

R. R. GILBERT

President

Subscription for 2 Percent Depository Bonds, Second Series

.....
(Date)

TO FEDERAL RESERVE BANK OF DALLAS (or branch)
Fiscal agent of the United States

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Pursuant to the provisions of resolution Authorizing Execution of Application-Agreement, Depository for Withheld Taxes (Treasury Form 411-A), the undersigned depository subscribes and agrees to make payment for 2 percent Depository Bonds, Second Series, which may be allotted from time to time for purchase by the depository under the provisions of Section 8 of Treasury Department Circular No. 714. For determining the amount of such bonds which the undersigned depository may be initially or periodically entitled to purchase, and for effecting payment for the bonds allotted for purchase, the method indicated below¹ is selected:

TWO PERCENT DEPOSITORY BONDS, SECOND SERIES, TO BE PURCHASED WITH THE DEPOSITORY'S OWN FUNDS

- The Federal Reserve Bank as Fiscal Agent of the United States shall compute the allotment of 2 percent Depository Bonds, Second Series, on the basis of Table I incorporated in Treasury Department Circular No. 714 as Exhibit C², and the Federal Reserve Bank is authorized to effect payment for the bonds thus allotted by charging the.....³ account of this depository.
- The Federal Reserve Bank as Fiscal Agent of the United States shall compute the allotment of 2 percent Depository Bonds, Second Series, on the basis of Table I incorporated in Treasury Department Circular No. 714 as Exhibit C² and this depository will make payment for the bonds thus allotted by remittance of the purchase price upon advice from the Federal Reserve Bank as to the amount of the approved allotment.

BALANCE TO THE CREDIT OF THE TREASURER OF THE UNITED STATES TO BE PLACED WITH THE DEPOSITORY TO BE USED FOR THE PURCHASE OF AN EQUAL AMOUNT OF 2 PERCENT DEPOSITORY BONDS, SECOND SERIES

- A balance to the credit of the "Federal Reserve Bank of Dallas, Fiscal Agent of the United States, for account of the Treasurer of the United States—Time Deposit" shall be deposited with this depository. The amount of such balance will be computed by the Federal Reserve Bank as Fiscal Agent of the United States on the basis of Table II incorporated in Treasury Department Circular No. 714 as Exhibit C². The Federal Reserve Bank is authorized, in lieu of remitting the amount of such authorized balance to this depository or crediting the account of this depository for the amounts thereof, to apply such amount to the purchase of an equal amount of 2 percent Depository Bonds, Second Series, for account of this depository.

The initial allotment of 2 percent Depository Bonds, Second Series, is to be computed by the Federal Reserve Bank, as Fiscal Agent of the United States, on the basis of the transactions of this depository for the month of..... It is agreed that payment for all 2 percent Depository Bonds, Second Series, purchased by the undersigned depository shall be made on the tenth day following the end of the month referred to above, and that such bonds shall be issued as of such date, or as of such later date as payment for the bonds is received by the Federal Reserve Bank for credit in the general account of the Treasurer of the United States. All 2 percent depository bonds purchased on subsequent adjustment dates as provided in Treasury Circular No. 714, as amended, shall be handled in like manner.

This subscription for 2 percent Depository Bonds, Second Series, and selected method of allotment and payment thereof shall remain in effect as long as the undersigned depository is qualified as a depository for withheld taxes unless new form of subscription in substitution thereof is submitted to the Federal Reserve Bank in time to be effective on the regular adjustment dates of December 31 and June 30 prescribed by Treasury Department Circular No. 714.

.....
(Name and location of depository)

By:.....
(Name and title)⁴

1—One of the three alternative methods shown should be selected by placing a check in the appropriate square.
2—Allotments of depository bonds will be computed by the Federal Reserve Bank on the basis of the amount of remittances received by the Federal Reserve Bank and number of items related to such remittances.
3—Insert name of account, for example "Reserve" account.
4—The officer subscribing on behalf of the depository shall be one designated in the resolution (Form 411-A) mentioned above.