

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, October 15, 1945

To the Managing Officer of the Bank Addressed:

In his letter of October 8, 1945, addressed to all commercial banks, Secretary of the Treasury Vinson urged their cooperation in assisting the Treasury to achieve fully the objectives of the Victory Loan Drive. The total quota for the Victory Loan, which will be the last great public drive for funds by the Treasury, is \$11 billion. In order to keep inflationary pressures at a minimum, \$4 billion of the drive funds are to be obtained from individuals and the remainder, \$7 billion, from other non-banking investors.

The Victory Loan quotas for individuals and other non-banking investors must be obtained, as stated in Secretary Vinson's letter, by diverting available non-banking funds into drive securities. The Treasury has designed the Victory Loan offerings in such a manner as to secure the maximum investment of non-banking funds and to hold indirect participation of commercial bank funds to a very minimum. Toward that end certain requests have been made of commercial banks by the Secretary of the Treasury.

Banking institutions are urged to decline to make loans for the speculative purchase of Government securities and, also, to decline to accept subscriptions from their customers if it appears that such subscriptions are excessive or are made for speculative purposes. Bank loans for the purpose of making permanent investments in Government securities are not subject to criticism and will not violate the objectives of the drive. Such loans, however, should be made on a short-term or amortization basis, fully repayable within a period not longer than six months.

Each banking institution is urged to decline to purchase any outstanding securities from non-banking investors on the understanding or condition that a subscription for a substantially equivalent amount of drive securities will be made through the bank with payment made through the war loan deposit account. Non-banking investors are urged to refrain from selling securities previously acquired in order to obtain funds for the purchase of drive securities. The assistance of banking institutions in discouraging such transactions will be of great aid in achieving the drive objectives. Of course, this request of the Secretary of the Treasury does not preclude normal portfolio adjustments which may be deemed necessary or desirable.

Finally, banking institutions are urged to hold to a minimum the transfer of funds from one locality to another for the purchase of Government securities. As in previous drives, sales credit will be given to the locality desired by the purchaser of drive securities.

In order to obtain uniform compliance with the Treasury's requests to the greatest extent possible, and to expedite processing subscriptions, all subscriptions for marketable securities offered in the Victory Loan Drive must be accompanied by a certificate signed by an officer of the bank submitting the subscription. The certificate will be incorporated in the subscription form, a supply of which will be forwarded to all banks in the near future. Bank officers receiving subscriptions are urged to familiarize themselves with the content and purpose of the certificate. If there is any reasonable doubt that a particular subscription does not conform to the spirit of the requests made by the Secretary of the

Treasury in his letter of October 8 and re-emphasized in this letter, it is requested that the bank receiving the subscription forward the case, with a statement of the circumstances, to this bank or the appropriate branch. This bank, acting as Fiscal Agent for the United States, will then advise the submitting bank as to the disposition which should be made of the case.

Commercial banks have rendered an invaluable service in assisting the Treasury to achieve the objectives of the several War Loan drives which preceded this Victory Loan. I am sure that that same unselfish service will characterize the part played by commercial banks in making the Victory Loan a complete success in every respect. To that end, your wholehearted cooperation will be greatly appreciated.

If additional copies of this letter are desired for distribution to other officers of your bank who handle subscriptions we will be pleased to supply them to you.

Sincerely yours,

R. R. Gilbert

President