

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, May 17, 1946

MODIFICATION OF VARIOUS DEPARTMENT CIRCULARS GOVERNING ISSUES OF TREASURY BONDS RESTRICTED AS TO OWNERSHIP BY COMMERCIAL BANKS WHICH ACCEPT DEMAND DEPOSITS

To All Banking Institutions
in the Eleventh Federal Reserve District:

There is quoted below a press statement released by the Treasury Department today with respect to an amendment to outstanding Treasury offering circulars which will permit commercial banks to hold a limited amount of the restricted bond issues for trading purposes:

"In order to enable banks to render better service to individuals and corporations wishing to buy or sell restricted Government securities, Secretary Vinson announced today that he had amended Treasury regulations so as to permit commercial banks to hold a limited amount of the restricted issues for trading purposes.

"The limit on holdings is 1 percent of demand deposits, excluding War Loan deposits and interbank deposits, or \$500,000, whichever is less. The bonds so held shall be in addition to and shall be held in an account separate from the bonds of such issues which have been otherwise acquired.

"The change was made after consultation with Federal Reserve authorities, who agreed that it would be helpful particularly to small non-bank investors."

A copy of Treasury Department Circular No. 787, which incorporates the details and enumerates the issues affected, is reproduced on the reverse side hereof.

Your attention is called to the fact that the amendment of the Department's regulations is not intended to permit banks to buy and hold additional bonds for investment or to create a trading account merely for the bank's own benefit. On the contrary, it is intended to facilitate transactions by bank customers in cases where it is the bank's practice to buy and sell other issues of Treasury securities directly with such customers.

Yours very truly,

R. R. GILBERT

President