

# FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, July 29, 1955

## RECLASSIFICATION OF TREASURY TAX AND LOAN DEPOSITARIES

### To the Treasury Tax and Loan Depository Bank Addressed:

The Treasury Department has authorized and requested this bank to reclassify Treasury Tax and Loan depositaries into the following three groups as of July 28, 1955:

- Group A—All depositaries having balances of \$150,000 or less at the close of business July 28, 1955, as shown by the books of this bank.
- Group B—All depositaries having balances of more than \$150,000 at the close of business July 28, 1955, as shown by the books of this bank.
- Group C—All depositaries having total deposits of \$500,000,000 or more, as shown by the latest call reports of bank supervisory authorities.

These classifications will govern the grouping of depositaries until further notice.

On the reverse is a memorandum prepared by the Treasury Department, which relates primarily to the new classification to be known as Class "C" depositaries.

Yours very truly,

Watrous H. Irons

President

## TREASURY TAX AND LOAN ACCOUNTS

One of the variable factors influencing the supply of member bank reserves is the day-to-day fluctuation of Treasury balances at Federal Reserve Banks. With a view to reducing these day-to-day fluctuations, the Treasury, in consultation with representatives of the Federal Reserve System, has formulated a proposal for a change in procedure for withdrawing funds from Tax and Loan Accounts effective August 1, 1955.

Under the procedure a new classification of depositaries will be established, to be known as Class "C" depositaries. These depositaries will consist of all banks having total deposits of \$500 million or more, as shown by the latest call reports of bank supervisory authorities.

The Treasury will continue to issue call notices on Mondays and Thursdays for withdrawals from Class "A" and "B" banks in the manner previously followed. At the same time notices for calls on the Class "C" banks will be issued with the same timing as the calls for the "B" banks. In other words, the procedure for Monday and Thursday calls on all depositaries will continue unchanged. However, when it is anticipated at the start of a particular day that the Treasury's balances with the Reserve Banks will deviate substantially from the desired level at the close of business that day, the estimated deviation will be offset by adjusting the amount of the calls already issued to the Class "C" banks for payment that day. These outstanding calls on the "C" banks will be increased, decreased, or canceled to produce the desired closing Treasury balances for the day. Occasionally it will be necessary to make a withdrawal where none had been scheduled by the original Monday or Thursday calls. It is conceivable that the Treasury under some circumstances might even redeposit funds in the "C" banks although that is not contemplated at the start.

The Class "C" banks will be notified of the adjusted calls by telephone or telegraph between 10:00 A.M. and 11:00 A.M., Washington, D. C. time, on the day the calls become effective. Notification will be made to each Class "C" bank by its own Federal Reserve Bank, which will in turn receive instructions from the Treasury by telegraph not later than 10:30 A.M. It will be necessary for the Federal Reserve Banks to arrange with their respective "C" depositaries to accept the telephone or telegraph notices of the adjusted calls and to pay the adjusted amounts to the Federal Reserve Bank for credit to the Treasurer's account.

It should be emphasized that the regular advance calls on the Class "C" banks will be adjusted only in the event of wide and unexpected swings in the Treasury balances at the Reserve Banks and total withdrawals over a period of about a month will probably not vary greatly from calls that would be made on the basis of the present procedure. Thus the Class "C" banks should under most circumstances have advance notice of withdrawals from their Tax and Loan Accounts so that uncertainties in managing reserve positions will be kept to the minimum consistent with the objectives of the plan.

The Treasury will make every effort to equalize the percentage of withdrawals from the Class "B" and "C" banks from day-to-day or week-to-week so that over a period of time there will be no undue advantage or disadvantage to either class of bank.

After the new procedure is in effect, it will probably result in the discontinuance of the "X" account classification for handling the special deposit of large checks during the quarterly tax-payment date. All credits to Tax and Loan Accounts arising from such special deposits will then be credited to the respective class "A", "B" or "C" banks without the special "X" accounting now required; however, the special cash letter or draft procedure followed in connection with these credits will remain unchanged.