

(Clawd)

FEDERAL RESERVE BANK
OF NEW YORK

NEW YORK, October 9, 1917.

DEAR SIRs:

In connection with the Treasury Department Circular #92 (Liberty Loan Circular #7) of which the Department has sent you a copy, your attention is especially called to the following:

(1) Enclosed herewith is a form upon which you may make application for designation as depository of the proceeds of the bonds of the second Liberty Loan and of certificates of indebtedness.

(2) You will also find enclosed copy of resolution which must be passed by the board of directors of the applicant bank, and accompany the application.

(3) Bonds or commercial paper offered as security for such deposits should be listed by typewriter on the forms enclosed for that purpose. Bonds should be listed alphabetically in sufficient detail to set forth clearly the exact issue. The full name, rate and maturity of the bonds should be stated. Commercial paper should be listed in the order of maturity giving the name and address of the maker, the endorser and the maturity of the paper.

(4) **Three** copies of the application, **three** copies of the resolution and **three** copies of the list of Securities should be furnished.

(5) You will be advised later concerning custody of those of your securities which are approved as security for United States deposits.

(6) Please forward your application and list of securities as soon as possible to Federal Reserve Bank of New York, Government Deposit Department, 50 Wall Street, New York City.

(7) Those institutions which were designated depositories for the proceeds of the last Liberty Loan or previous issues of Certificates of Indebtedness and whose securities are still on deposit with this bank or with authorized custodians, should list those securities so that they can be transferred to the new depository account.

We are very desirous of having each and every incorporated bank and trust company in this district designated a depository at once so that all payments by them for their subscription to the forthcoming issue of Liberty Loan bonds can be made by book credits, thereby greatly facilitating payments. Your attention is called to the fact that the 2% payments for Liberty Loan bonds and the payments for small cash subscriptions can be made by credit as well as other payments.

It will be necessary for those institutions that were designated depositories under the last Liberty Loan to again qualify as depositories to receive any of the funds arising from the sale of the forthcoming issue of bonds.

Applications will be passed on in the order they are received.

Respectfully,

BENJ. STRONG,

Governor.

SECURITY ELIGIBLE AS COLLATERAL FOR DEPOSITS OF GOVERNMENT FUNDS
IN ACCORDANCE WITH TREASURY DEPARTMENT CIRCULAR #92, DATED
OCTOBER 6, 1917.

(a) Bonds and certificates of indebtedness of the United States Government, of any issue, including bonds of the Liberty Loans and interim certificates or receipts for payments therefor; all at par.

(b) Bonds issued under the United States farm loan act and bonds of the Philippine Islands, Porto Rico and the District of Columbia; all at par.

(c) The $3\frac{1}{2}$ per cent bonds of the Territory of Hawaii at 90 per cent of market value; and other bonds of said Territory at market value.

(d) Bonds of any State of the United States, at market value; and approved notes, certificates of indebtedness and warrants issued by any State of the United States, at 90 per cent of market value.

(e) Approved bonds of any county, city or political subdivision in the United States; and approved notes, certificates of indebtedness and warrants issued by any county or city in the United States which are direct obligations of the county or city as a whole; all at 90 per cent of market value; but not including any such bonds which, at the date of this circular, are at a market price to yield more than $5\frac{1}{2}$ per cent per annum, nor any such other obligations which at the date of this circular are at a market price to yield more than 6 per cent per annum, if held to maturity, according to standard tables of bond values.

(f) Approved dollar bonds and obligations of foreign Governments (and of the dependencies thereof) engaged in war against Germany, issued since July 30, 1914, at 90 per cent of the market value thereof in the United States, and approved dollar bonds and obligations of any province or city within the territory of any such foreign Government or dependency, issued since July 30, 1914, at 75 per cent of the market value thereof in the United States.

(g) Approved bonds, listed on some recognized stock exchange and notes, of domestic railroad companies within the United States; approved equipment trust obligations of such domestic railroad companies; and approved bonds and notes of domestic electric railway and traction companies, telephone and telegraph companies, electric light, power, and gas companies, and industrial companies, secured (directly or by the pledge of mortgage bonds) by mortgage upon physical properties in the United States and listed on some recognized stock exchange: all at 75 per cent of market value; but not including any such bonds or obligations which, at the date of this circular, are at a market price to yield more than $6\frac{1}{2}$ per cent per annum, nor any such notes which at the date of this circular are at a market price to yield more than $7\frac{1}{2}$ per cent per annum, if held to maturity, according to standard tables of bond values.

(h) Commercial paper and bankers' acceptances, having maturity at the time of pledge of not to exceed six months, exclusive of days of grace, and which are otherwise eligible for rediscount or purchase by Federal Reserve Banks; and which have been approved by the Federal Reserve Bank of the district in which the depository is located; at 90 per cent of face value. All such commercial paper and acceptances must bear the indorsement of the depository bank or trust company.

No security shall be valued at more than par. No State or municipal bond, obligation, or evidence of indebtedness shall be accepted if the State or municipality has made default in payment of principal or interest during the past 10 years.

The right is reserved to call for additional collateral security at any time.

The approval and valuation of securities is committed to the several Federal Reserve Banks, acting under the direction of the Secretary of the Treasury. The withdrawal of securities, the pledge of additional securities, and the substitution of securities shall be made from time to time as required or permitted by the Federal Reserve Banks acting under like direction.

RESOLUTION AUTHORIZING APPLICATION FOR DEPOSITS.*Act of September 24, 1917.*

I hereby certify that the following resolutions, which were duly adopted at a meeting of the board of directors of the below-named bank (or trust company), which meeting was duly called, and duly held on the.....day of....., a quorum being present, and that the said resolutions were spread upon the minutes of said meeting:

Resolved, That in accordance with the provisions of Treasury Department Circular No. 92 dated October 6, 1917, this bank (trust company) make application for the deposit with it of proceeds of the bonds and certificates of indebtedness issued and to be issued from time to time under the act of Congress approved September 24, 1917, the aggregate amount of such deposits not to exceed at any one time \$.....; and assign and agree to pledge to and with the Federal Reserve Bank of New York, as fiscal agent of the United States, as collateral for such deposits as may be made from time to time pursuant to this application securities of the character and value provided in said circular; and

Resolved, That the president, or any vice president, or cashier, or secretary, of the undersigned bank (or trust company) is hereby authorized to make application, assignment, and agreement as aforesaid and from time to time to deliver to and pledge with said Federal Reserve Bank or any custodian or custodians appointed by it any securities of the undersigned bank (or trust company) of a character and value at least sufficient to secure such deposits according to the terms of said Treasury Department circular, and from time to time to withdraw securities and to substitute other securities and to pledge and deposit additional securities.

In witness whereof I have hereunto signed my name and affixed the seal of the

.....of.....

.....
Cashier (Secretary.)

APPLICATION FOR DEPOSITS.

Act of September 24, 1917.

To the Federal Reserve Bank of New York, fiscal agent of the United States:

The undersigned bank or trust company, in accordance with the provisions of Treasury Department Circular No. 92, dated October 6, 1917, hereby makes application for the deposit with it of proceeds of the bonds and certificates of indebtedness issued and to be issued from time to time under the act of Congress approved September 24, 1917, the aggregate amount of such deposits not to exceed at any one time \$.....; and assigns and agrees to pledge to and with the Federal Reserve Bank of New York, as fiscal agent of the United States, as collateral for such deposits as may be made from time to time pursuant to this application, securities of the character and value provided in said circular.

..... of
(4) by
Cashier.

CERTIFICATE OF APPROVAL OF FISCAL AGENT.

The foregoing application is hereby approved upon deposit with..... of the securities listed and described. The applying bank is authorized to transfer to the Federal Reserve Bank of New York as fiscal agent of the United States, war loan deposit account \$....., to be held subject to immediate withdrawal.

FEDERAL RESERVE BANK OF NEW YORK
Fiscal Agent of the United States.

by

CERTIFICATE OF CUSTODIAN.

The securities described in the within-attached list have been this day received from..... of..... to be held as collateral security for the deposit of Government funds in accordance with Treasury Department Circular No. 92, dated October 6, 1917.

.....
Custodian.

BONDS

BONDS

Offered by.....
(Name of bank or trust company)

.....for deposits made under Treasury Department

Circular No. 92, dated Oct. 6, 1917.

SERIAL NUMBER	GOVERNMENT, STATE, COUNTY, CITY OR CORPORATION ISSUING	LIEN—I. E., FIRST MORTGAGE, COLLATERAL TRUST, ETC.	MATURITY	Rate of Interest	PAR VALUE

SECURITIES APPROVED BY

SECURITIES CHECKED BY

OFFERED BY

of

(Name of bank or trust company.)

as security for Government deposits under terms of Department Circular No. 92, dated Oct. 6, 1917.

INSTRUCTIONS

List notes in order of their maturities. Fill in name of mercantile agency used. Indicate by letter (D), placed after the name of maker or indorser, for whom note was discounted by bank. Mercantile rating refers to discounter of note.

AGENCY No. 1 REFERS TO

AGENCY No. 2 REFERS TO

DATE	MAKER	INDORSERS OR COLLATERAL	MATURITY	MERCANTILE RATING		AMOUNT
				Agency No. 1	Agency No. 2	

COMMERCIAL PAPER APPROVED

FEDERAL RESERVE BANK
OF NEW YORK

October 16, 1917.

Dear Sir:

May I take the liberty of calling to your attention a new provision in the Corporation Tax Law as amended by the War Revenue Act of October 3, 1917.

Section 1206 of this law provides that a special tax of 10% shall be levied on the amount of earnings of every corporation, joint stock company or association or insurance company remaining undistributed six months after the end of each calendar or fiscal year. But there is a further provision that this tax "shall not apply to that portion of undistributed net income which is actually invested or employed in the business or retained for the reasonable requirements of the business, or is invested in obligations of the United States issued after September 1, 1917."

The questions involved with respect to the employment or retention of funds for use in the business are subject to review, and if the Secretary of the Treasury finds that any portion of the amount retained for employment in the business is not so employed or is not reasonably required in the business, a tax of 15% is to be collected thereon. (In other words, this amounts to a penalty of 50% of the amount of tax otherwise payable.)

The amount of the undistributed earnings invested in the Liberty Loan 4% bonds, however, is not subject to review. Consequently, all undistributed surplus of your company accumulated during the 1917 year, which may be invested in the Liberty Loan 4% bonds, will be absolutely exempted

from this special tax of 10%. It should be noted that the law limits this exemption to issues put out after September 1, 1917. In other words, the exemption would not apply to investments made in the first Liberty Loan.

I need hardly call your attention to the great advantages which the purchase of bonds of the second Liberty Loan would have over the purchase of any other investment out of funds which a corporation has remaining undistributed from the results of this year's operation.

Very truly yours,

Secretary.

LIBERTY LOAN COMMITTEE

THE LIBERTY LOAN COMMITTEE

120 BROADWAY

BENJAMIN STRONG, CHAIRMAN
 JAMES S. ALEXANDER
 GEORGE F. BAKER
 ALLEN B. FORBES
 WALTER E. FREW
 GATES W. MCGARRAH
 J. P. MORGAN
 SEWARD PROSSER
 CHARLES H. SABIN
 JACOB H. SCHIFF
 FRANK A. VANDERLIP
 MARTIN VOGEL
 JAMES N. WALLACE
 ALBERT H. WIGGIN
 WILLIAM WOODWARD

NEW YORK

October 18, 1917.

JAMES F. CURTIS,
 SECRETARY
 ELLSWORTH C. GREY,
 ASSISTANT SECRETARY

PERSONAL AND IMPORTANT

HE ALSO SERVES WHO HELPS A FIGHTER FIGHT—BUY LIBERTY BONDS

Dear Sir:

Subscriptions to the SECOND LIBERTY LOAN have not yet been received in sufficient volume to demonstrate that the issue will be the unqualified success which it must be both for the moral effect and the financial needs of our Government.

The members of the Liberty Loan Committee are unanimous in believing that it will be necessary for the banks throughout this district to urge more strongly subscription to bonds by the use of borrowed money, and that banks must adopt a much more vigorous personal canvass of all their depositors. This can be accomplished through a direct solicitation of orders and through offering, if necessary, to carry the bonds of this issue for reasonably long periods at the coupon interest rate; (the medium in that case to be successive loans of ninety days each, which will thus be eligible for rediscount at the Federal Reserve Bank).

The amount of bonds which the Committee has felt must be subscribed in this district, in order to make the loan an unqualified success, has been prorated over the banking communities in this district; and the amount allotted

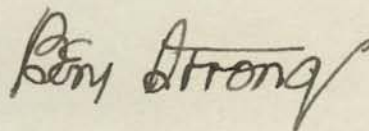
to New York City has in turn been prorated among all the banking institutions of this City upon an impartial and equitable basis, taking into consideration banking resources, etc. Your share in the amount thus to be raised by New York City is \$

It is the belief of the Committee that the seriousness of the present situation has not as yet been thoroughly appreciated by banking institutions; and it is felt that it is vitally essential that the banks and trust companies in this city should consider it their unquestioned duty to produce subscriptions, including their own and their customers, to the amount which has been allotted to them.

It is needless to add, that in the belief of the Committee, if the amount of public subscriptions is less than the minimum amount which the Secretary of the Treasury must receive before the books close on October 27th, the deficiency will have to be made up by the banks in the larger cities. This result will be unfortunate from every standpoint, for it is obviously more desirable for a bank to hold its customers notes secured by United States Government bonds, the loans bearing interest at the bond interest rate and subject to such repayments and reductions as the customers may make from time to time, rather than that the bank should hold an equal amount of the bonds themselves.

It is, therefore, urged that you begin at once an intensive canvass of your depositors, offering to lend them money at 4%, as indicated above, (without curtailing in any respect their customary lines of credit for commercial purposes) and furnishing at your institution all the necessary facilities for handling subscriptions, both from your own depositors and from the public at large.

Very truly yours,



Chairman.

LIBERTY LOAN COMMITTEE

120 BROADWAY

NEW YORK

THE LIBERTY LOAN COMMITTEE

BENJAMIN STRONG, CHAIRMAN
 JAMES S. ALEXANDER
 GEORGE F. BAKER
 ALLEN B. FORBES
 WALTER E. FREW
 GATES W. MCGARRAH
 J. P. MORGAN
 SEWARD PROSSER
 CHARLES H. SABIN
 JACOB H. SCHIFF
 FRANK A. VANDERLIP
 MARTIN VOGEL
 JAMES N. WALLACE
 ALBERT H. WIGGIN
 WILLIAM WOODWARD

October 22, 1917.

JAMES F. CURTIS,
 SECRETARY
 ELLSWORTH C. GREY,
 ASSISTANT SECRETARY

HE ALSO SERVES WHO HELPS A FIGHTER FIGHT—BUY LIBERTY BONDS

Dear Sirs:

In connection with cash sales of small denomination 4% Liberty Loan bonds (limited to the amounts of not more than \$1,000. to any one buyer) the question has been raised as to whether a bank can purchase for the account of a responsible agent, such as a department store, an amount of bonds in excess of \$1,000. with the understanding that the department store or other agent will not resell them in amounts of \$1,000. to any one buyer.

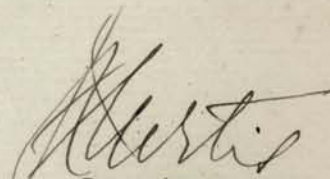
This letter is to advise you that we consider that such action taken on behalf of an agent known to be responsible is in entire accord with the spirit of the regulations imposed by the Treasury Department.

It has also been brought to our attention that apprehension exists on the part of some banks with respect to subscriptions made by their customers through the various trades committees of the Liberty Loan Committee, some of the banks feeling that they will not receive credit on their quotas with respect to such subscriptions made by their customers.

In this connection we wish to point out that in the natural order of events all the subscriptions received by the trades committees will neces-

his account. The trades committees, who have very comprehensive and active organizations, are furnishing what are probably the most effective methods of enabling the banks of Greater New York to obtain their quotas of subscriptions; and for the reasons above stated we feel that no logical objection can be made to the desire of a bank depositor to place his subscription through his own trade committee. Undoubtedly it will be in only the most exceptional cases that such subscriptions will fail to be placed to the credit of the bank to which they properly pertain.

Very truly yours,



Secretary.