

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

[Circular No. 1670]
May 27, 1936

**Information Relating to Public Offerings of
Interest-Bearing Obligations of the United States**

*To all Banking Institutions and Others Concerned
in the Second Federal Reserve District:*

At the request of Secretary of the Treasury Morgenthau, I am transmitting to you herewith, printed on the following pages, a copy of his communication addressed to me, dated May 27, 1936, with respect to calling the attention of subscribing banks and others concerned to the provisions made for announcements of offerings of interest-bearing obligations of the United States and the submission of subscriptions thereto.

GEORGE L. HARRISON,
President.

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY
WASHINGTON

May 27, 1936.

My dear Sir:

In advance of the June 15 financing, which I now expect will be announced on Monday, June 1, it seems desirable to call the attention of subscribing banks and any others concerned to the provisions made for announcements of offerings and the submission of subscriptions. Accordingly, I am addressing this communication to you with the request that you will transmit a copy to each banking institution in your district, and others concerned.

On the occasion of a public offering of interest-bearing obligations of the United States, announcement will be made by the Secretary of the Treasury through the press, and each Federal Reserve bank will mail, to banking institutions in its district, full information concerning the offering, together with application forms for use in entering subscriptions. Effort will be made to arrange the mailing so that information will be received at each banking institution addressed on the morning of the opening day. In case a banking institution which may be interested in subscribing is so far distant from the Federal Reserve bank of its district that announcements are not ordinarily received on the opening day, it may request the Federal Reserve bank that it be listed to receive telegraphic advice of all offerings.

The subscription books for any offering may be closed by the Treasury without advance notice, and therefore each subscribing bank, upon receipt of information as to the terms of a Treasury offering, either in the press, through the mail, or by telegram, should promptly file with the Federal Reserve bank any subscriptions for itself and its customers. No assurance can be given as to the period the subscription books may remain open, and subscribing banks, even before the receipt of official subscription blanks, may file their subscriptions by telegram or by mail to the Federal Reserve banks. Any subscription so filed by telegram or mail in advance of receipt by subscribing bank of subscription blanks furnished for the particular issue, should be confirmed immediately by mail, and on the blanks provided when such blanks shall have been received. This is necessary, for each subscribing bank or trust company is required to give the names and addresses of its customers subscribing to the offering and the amount subscribed by each, and to make certification with respect to the subscription by the bank for its own account and for account of its customers.

Subscriptions will be received at the Federal Reserve banks and branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers. Others than banking institutions will not be permitted to enter subscriptions except for their own account.

Cash subscriptions from banking institutions for their own account will be received without deposit, but will be limited on each issue to an amount which will be stated in the Treasury offering. Recently the limit placed has been one-half of the amount of the combined capital and surplus. A cash subscription from any other subscriber must be accompanied by payment in an amount which also will be specified in such offering. The purpose of this initial payment is to limit the amount of customers' subscriptions to their legitimate requirements, and it tends to defeat this purpose if unsecured loans, or loans without collateral other than the securities subscribed for, are made to cover the initial deposit. Banking institutions will greatly assist if they will cooperate in avoiding this practice.

In receiving applications from customers for cash offerings, each banking institution is requested to certify that, to the best of its knowledge and belief, its customers' applications are made in good faith for the customers' legitimate requirements, and that the bank itself has no beneficial interest therein.

Attention is invited to the following certificate which will appear on all subscription blanks furnished by Federal Reserve banks for cash offerings, for the use of subscribing banking institutions:

We hereby certify:

that we have received applications from our customers in the amounts set opposite the customers' names on the attached list which is made a part of this subscription; that there has been paid to us by each such customer, not subject to withdrawal until after allotment and payment in full for securities allotted, the full amount required to accompany his application: (a) if for \$. or less the amount in full, or (b) if for more than \$., . . . percent of the amount applied for but not less than \$.; that each such application, to the best of our knowledge and belief, is made in good faith for the customer's legitimate requirements; and that we have no beneficial interest therein.

We agree:

in consideration of the receipt by you of this subscription, to make payment in full for the entire amount which may be allotted on this subscription, at par on or before the date of issue, or at par and accrued interest if on later allotment. Such payment will be made by the method indicated hereon.

The purpose of these provisions is to provide for an equitable allotment and distribution of securities to all classes of subscribers and the cooperation of banking institutions to this end is requested.

Federal Reserve banks as fiscal agents of the United States are authorized and instructed to examine applications for cash offerings of interest-bearing securities of the United States and to report to the Secretary of the Treasury any which appear to be excessive, with recommendation as to the reduction or rejection of any such applications, which recommendations will be promptly acted upon by the Secretary. Federal Reserve banks as fiscal agents of the United States are also authorized and instructed to take such other action as may be necessary to assure compliance with the procedure outlined in this letter and the provisions of any offering circular. The right is reserved to withdraw, amend or supplement this letter at any time or from time to time.

Sincerely yours,

HENRY MORGENTHAU, JR.,

Secretary of the Treasury.

G. L. HARRISON, Esq.,
President, Federal Reserve Bank,
New York, New York.