

FEDERAL RESERVE BANK  
OF NEW YORK

Fiscal Agent of the United States

[ Circular No. 1886 ]  
October 14, 1938

Public Notice of Offering of \$100,000,000, or thereabouts, of Treasury Bills  
Dated October 19, 1938 Maturing January 18, 1939

*To all Incorporated Banks and Trust Companies in the  
Second Federal Reserve District and Others Concerned:*

Following is the text of a notice today made public by the Treasury Department with respect to a new offering of Treasury bills payable at maturity without interest to be sold on a discount basis to the highest bidders.

The Secretary of the Treasury gives notice that tenders are invited for Treasury bills to the amount of \$100,000,000, or thereabouts. They will be 91-day bills; and will be sold on a discount basis to the highest bidders. Tenders will be received at the Federal Reserve Banks, or the branches thereof, up to two o'clock p.m., Eastern Standard time, on Monday, October 17, 1938. Tenders will not be received at the Treasury Department, Washington.

The Treasury bills will be dated October 19, 1938, and will mature on January 18, 1939, and on the maturity date the face amount will be payable without interest. They will be issued in bearer form only, and in amounts or denominations of \$1,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by the Federal Reserve Banks or branches upon application therefor.

No tender for an amount less than \$1,000 will be considered. Each tender must be in multiples of \$1,000. The price offered must be expressed on the basis of 100, with not more than three decimal places, e. g., 99.125. Fractions must not be used.

Tenders will be accepted without cash deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by a deposit of 10 per cent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour for receipt of tenders on October 17, 1938, all tenders received at the Federal Reserve Banks or branches thereof up to the closing hour will be opened and public announcement of the acceptable prices will follow as soon as possible thereafter, probably on the following morning. The Secretary of the Treasury expressly reserves the right to reject any or all tenders or parts of tenders, and to allot less than the amount applied for, and his action in any such respect shall be final. Those submitting tenders will be advised of the acceptance or rejection thereof. Payment at the price offered for Treasury bills allotted must be made at the Federal Reserve Banks in cash or other immediately available funds on October 19, 1938.

The Treasury bills will be exempt, as to principal and interest, and any gain from the sale or other disposition thereof will also be exempt, from all taxation, except estate and inheritance taxes. (Attention is invited to Treasury Decision 4550, ruling that Treasury bills are not exempt from the gift tax.) No loss from the sale or other disposition of the Treasury bills shall be allowed as a deduction, or otherwise recognized, for the purposes of any tax now or hereafter imposed by the United States or any of its possessions.

Treasury Department Circular No. 418, as amended, and this notice prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or branch thereof.

In accordance with the above announcement tenders will be received at the Securities Department of this bank (2nd floor, 33 Liberty Street, New York City) or at the Buffalo Branch of this bank (272 Main Street, Buffalo, New York) until two o'clock p.m., Eastern Standard time, on Monday, October 17, 1938.

It is requested that tenders be submitted on special form and in special envelope enclosed herewith.

*Attention is invited to the fact that payment for the Treasury bills cannot be made by credit through the War Loan Deposit Account. Payment must be made in cash or other immediately available funds.*

GEORGE L. HARRISON,  
President.

TENDER FOR 91-DAY TREASURY BILLS

Dated October 19, 1938. Maturing January 18, 1939.

Dated at.....

TO THE FEDERAL RESERVE BANK OF NEW YORK,
Fiscal Agent of the United States,
New York City, N. Y.

.....1938

Pursuant to the provisions of Treasury Department Circular No. 418, as amended, and to the provisions of the public announcement on October 14, 1938, as issued by the Secretary of the Treasury, the undersigned offers to pay.....\* for a total amount of \$..... (Rate per 100) (maturity value) of the Treasury bills therein described, or for any less amount that may be allotted, payment therefor to be made at your bank in cash or other immediately available funds on the date stated in the public announcement.

The Treasury bills for which tender is hereby made are to be dated October 19, 1938, and are to mature on January 18, 1939.

This tender will be inserted in special envelope entitled "Tender for Treasury bills."

IMPORTANT INSTRUCTIONS:

- 1. No tender for less than \$1,000 will be considered, and each tender must be for an amount in multiples of \$1,000 (maturity value). Also, if more than one price is offered, a separate form must be executed at each price.
2. If the person making the tender is a corporation, the form should be signed by an officer of the corporation authorized to make the tender, and the signing of the form by an officer of the corporation will be construed as a representation by him that he has been so authorized. If the tender is made by a partnership, it should be signed by a member of the firm, who should sign in the form "....., a member of the firm."
3. Tenders will be accepted without cash deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by a deposit of 10 per cent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.
4. If the language of this form is changed in any respect, which, in the opinion of the Secretary of the Treasury, is material, the tender may be disregarded.

Payment by credit through War Loan Deposit Account will not be permitted.

Before signing fill in all required spaces.

Bank or Trust Company.....

Post Office Address.....

State.....

Official signature required.

SPACES BELOW ARE FOR THE USE OF THE FEDERAL RESERVE BANK

Table with columns: Examined, Carded, Classified, Ledger, Acknowledged, Disposition, Allotment, Figured, Checked, Advised, Method of Payment, Amount, Date Released, By, Received, Checked, Recorded, Window, Custody, Mail, Other Departments.

\* Price should be expressed on the basis of 100, with not more than three decimal places, e.g., 99.125. Fractions must not be used.

**FEDERAL RESERVE BANK  
OF NEW YORK**

October 15, 1938

NEW AND DANGEROUS COUNTERFEITS

To Member Banks in the Second Federal  
Reserve District and Others Concerned:

In a letter dated October 12, 1938, the Treasury Department, Secret Service Division, describes certain new counterfeit as follows:

\$100 FEDERAL RESERVE NOTE

On the Federal Reserve Bank of Philadelphia, Pennsylvania; 1928 Series; check letter "L"; face plate No. 2; back plate No. 4; serial No. C00043258A; W. O. Woods, Treasurer of the United States; A. W. Mellon, Secretary of the Treasury; portrait of Franklin.

\$100 FEDERAL RESERVE NOTE

On the Federal Reserve Bank of New York, New York; 1928 Series; check letter "G"; face plate No. 2; back plate No. 1; serial No. B00143941A; W. O. Woods, Treasurer of the United States; A. W. Mellon, Secretary of the Treasury; portrait of Franklin.

These productions, printed on bleached genuine paper from skillfully photo-etched plates, are of the same workmanship as the counterfeit \$100 notes on the same banks described in warning circular of this Service dated January 25, 1938.

One of the counterfeit on the Philadelphia bank (with the large numeral 3 in the Federal Reserve Bank seal on the left side of the portrait) was accepted recently by a well-known travel agency in London, England. Three of the counterfeit on the New York bank (with the large numeral 2 in the Federal Reserve Bank seal on the left side of the portrait) were received a few days ago by a bank in Liverpool, England. The latter notes bore the following serial numbers: B00118439A, B00143941A and B00136243A. It is likely that other specimens on other Federal Reserve Banks may be passed in Europe as well as in the United States. Attention is directed to the fact that these counterfeit are of a previous issue (1928 Series) and bear the facsimile signatures of a former Treasurer of the United States and a former Secretary of the Treasury. The serial number on the Philadelphia note begins with three ciphers, while the notes on the New York bank show serial numbers beginning with two ciphers. The highest serial numbers appearing on genuine notes of the above series are: Philadelphia, C00924000A; New York, B02652000A.

DEFECTS

The printed design on the front of the counterfeits varies slightly in size, being about 5/16th of an inch shorter than the genuine. Because of the reduced size of the printed surface the unprinted margins at each end of the counterfeits are slightly wider than the genuine.

1. Portrait. The double irregular lines representing the wrinkles on Franklin's forehead are missing. Faulty etching has failed to reproduce part of the delicate shading under the eyes, and lack of definite shadow detail gives the eyes a weak expression. On some of the counterfeits a white spot appears in the hair opposite the right ear. This spot does not show in the genuine. The fine wrinkle lines to the right of Franklin's nose are not completed and the cross-hatch shading below the left cheek is broken in many places. The ruled lines forming the oval background are broken on the left side of the portrait, leaving a light space on the outside edge of the hair.

2. Serial Numbers. Poorly aligned and inaccurately spaced. On the Philadelphia note the number in the upper right corner slants upward from left to right and the prefix letter C is shaped differently from the same letter in the serial number in the lower left corner, the points curving inward. The prefix letter C in the number in the lower left corner is narrower at the top than at the bottom and the suffix letter A is longer and crossed higher than the same letter in the number in the upper right position.

3. Signatures and Titles. Signatures fairly well executed. In the lower left corner, the title TREASURER OF THE UNITED STATES is out of line, forming a slight curve. The letter S in TREASURER is too large. In the word SECRETARY, the letter R is too large and the letter T does not appear to be crossed. On the New York notes, the letters R and E in the word SECRETARY are crushed at the tops in such manner as to lose their identity. This defect does not appear on the Philadelphia notes.

4. Seals. In the green seal the key in the shield design is misshaped and broken at one end and the balance pans appear to be detached from the balance bar on some specimens. The forty rim points on the outside of the seal are irregular in position and shape, some being wider and longer than others. Three dots are missing on the right side of the shield above the square and four dots are omitted underneath the square.

5. Lettering. In the word NOTE in FEDERAL RESERVE NOTE in the top front border, the cross line at the top right of the letter N is too short. In the large word DOLLARS in the lower front border, the lower right tip of the letter R nearly touching the letter S is rounded at the base instead of being flat as in the genuine. In the four line text above the Federal Reserve Bank seal, in all words containing the letter S, the letter S is slightly larger than the other letters and the period terminating the last line is out of position, being above the line.

6. Lathe Work. Generally good, but slightly lighter in color than the genuine because of breaks in the intersecting lines. In the lower right front border of the Philadelphia counterfeit, under the Secretary's signature, a white border line surrounding the small numerals 100 is broken at the upper left.

7. Back. The printed surface on the back of these counterfeits is approximately 3/16th of an inch shorter than the genuine. The reproduction of Independence Hall is pale in its entirety and does not stand out clearly. The top of the clock tower and flag pole are poorly executed. The parapet underneath the clock is very indistinct and the parapet on top of the buildings at the right fails to show the perpendicular lines noticeable in the genuine. The lamp post at the right end of the buildings at the right appears only as a white spot. The left brick chimney on the building at the left is represented by a heavy line with no terminating horizontal lines at the top.

Inasmuch as these counterfeits are extremely deceptive, you are requested to notify money handlers and your foreign correspondents to exercise care in accepting notes of this variety and denomination.

- - - - -

The Treasury Department has requested that any counterfeits which come to the attention of banks or others be forwarded with all available information to the office of the United States Secret Service having jurisdiction in their territory. Offices of the Secret Service are located in Albany, Buffalo, Syracuse and New York City, New York, and in Newark, New Jersey.

George L. Harrison,  
President.

FEDERAL RESERVE BANK  
OF NEW YORK

[ Letter RU.2  
October 19, 1938 ]

Rulings of the Board of Governors of the Federal Reserve System  
Regarding Regulation U

*To Each Nonmember Bank in the  
Second Federal Reserve District:*

Supplementing our letter RU.1 dated January 15, 1938, we transmit to you herewith, printed on the following page, the text of two rulings regarding Regulation U of the Board of Governors of the Federal Reserve System which have been published in the Federal Reserve Bulletin from January 1, 1938 to date.

Inquiries regarding the regulation should be submitted to this bank.

GEORGE L. HARRISON,  
*President.*

Reprints of rulings of the Board of Governors of the Federal Reserve System published in the Federal Reserve Bulletin from January 1938, to October 1938, inclusive, regarding Regulation U which relates to loans by banks for the purpose of purchasing or carrying stocks registered on a national securities exchange.

(February 1938 Bulletin, p. 90.)

**Effect of Stock Becoming Unregistered After Loan Is Made Under Regulation U**

The Board recently considered the question whether a loan is subject to Regulation U if made to purchase a stock and the stock was registered on a national securities exchange at the time the loan was made but has since become unregistered.

The ruling published at page 995 of the October 1937 Federal Reserve Bulletin dealt with the converse situation in which a stock had become registered after the loan was made. That ruling stated that the question whether the loan there involved was a loan for the purpose of purchasing or carrying a stock "registered on a national securities exchange" should be determined on the basis of the present status of the stock.

The Board expressed the view that, at least under the existing regulation, the instant question should also be determined on the basis of the present status of the stock. Accordingly, in the circumstances described, the loan would not be subject to the regulation, although it was subject to the regulation at the time it was made and withdrawals and substitutions of collateral were also subject to the regulation until the stock became unregistered.

(October 1938 Bulletin, p. 884.)

**Advance by Bank to Finance Purchase of Stock Called for Retirement**

In a case recently considered by the Board under Regulation U, a bank made a temporary advance to finance a broker's or dealer's

purchase of certain shares of a preferred stock which was registered on a national securities exchange and had been called for retirement. The bank, acting for the broker or dealer, took up the stocks, paid for them, and delivered them to the issuer for retirement.

The question presented was whether an advance made for the broker or dealer by the bank in taking up the securities was covered by section 2(f) of the regulation which exempts:

"Any temporary advance to finance the purchase or sale of securities for prompt delivery which is to be repaid in the ordinary course of business upon completion of the transaction;"

The Board expressed the view that if the call for retirement had already been issued when the securities were purchased, and in addition the securities were promptly delivered to the issuer for such retirement, a temporary advance of the type described would come within the exemption. On the other hand, if the stocks had not been called for retirement when they were purchased, or if they were not promptly delivered to the issuer for retirement, the exemption would not apply, unless, of course, the transaction qualified as an ordinary cash purchase under the conditions described in section 2(f).

It is to be noted than in connection with the exemption mentioned, just as at other points in the regulation, it is necessary to distinguish between the purpose of a loan and the collateral for a loan. The exception in section 2(f) relates to purpose. Thus it exempts loans of the type described, but does not increase the loan value to which securities of the type described are entitled when they are collateral for a loan that is subject to the regulation.