

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. 2608]
April 13, 1943]

**SUSPENSION OF FEDERAL DEPOSIT INSURANCE CORPORATION ASSESSMENT AND
RESERVE REQUIREMENTS WITH RESPECT TO WAR LOAN DEPOSIT ACCOUNTS**

*To designated special depositaries of public moneys
and all other incorporated banks and trust companies
in the Second Federal Reserve District:*

For your information, we have printed on the reverse side hereof a copy of the Act of Congress approved April 13, 1943, which amends sections 12B and 19 of the Federal Reserve Act in relation to the applicability of such sections to certain balances payable to the United States. This act, which became effective today, provides, in effect, that **until six months after the cessation of hostilities in the present war, banks and trust companies qualified as special depositaries will not be required to pay the Federal Deposit Insurance assessment on balances held by them in War Loan Deposit Accounts, or to maintain the reserves required by the Federal Reserve Act in respect of such balances.** The act also applies to balances in "Series E, Bond Accounts" maintained by banking institutions qualified as issuing agents of War Savings Bonds of Series E pursuant to Treasury Department Circular No. 657, dated April 15, 1941, as amended.

Depositaries qualified to maintain War Loan Deposit Accounts are permitted to pay for Government securities, including all series of Savings Bonds and Tax Savings Notes, purchased for themselves or for account of their customers by deposits to the credit of the Government on their books. All securities, except Treasury bills, being sold in the Second War Loan drive may be paid for in this manner. Since these deposits are withdrawn in installments over a period of time, payment by credit for large amounts of Government securities purchased by banks for themselves and their customers prevents any serious dislocation of funds and minimizes the effect of such purchases on the reserve positions of the banks.

The suspension of Federal Deposit Insurance assessments and reserve requirements in respect of balances in War Loan Deposit Accounts provided by the new act will facilitate the maintenance of such accounts in amounts of sufficient size to assure their most effective use. Accordingly, we urge all banks and trust companies that are not now qualified to apply for designation as special depositaries, and all presently qualified depositaries to consider whether their present maximum qualifications are adequate to enable them to make full use of their accounts in making payment for subscriptions placed for their own account and for their customers during the Second War Loan and subsequent loans. Forms of application for qualification as special depositary, or for increased maximum qualification, were supplied with our Circular No. 2548, dated November 20, 1942; additional copies will be furnished promptly upon request.

In reporting demand deposits on our Form R. B. 13 or Form R. B. 20, a member bank should deduct any balance in its War Loan Deposit Account or Series E, Bond Account from the bank's deposit balances as shown by its books at the opening of business today and should continue to do so while this act remains in effect.

ALLAN SPROUL,
President.

[PUBLIC LAW —78TH CONGRESS]

[CHAPTER —1ST SESSION]

[S. 700]

AN ACT

Suspending certain provisions of sections 12B and 19 of the Federal Reserve Act until six months after the cessation of hostilities in the present war as determined by proclamation of the President or concurrent resolution of the Congress.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the second sentence of paragraph (1) of subsection (h) of section 12B of the Federal Reserve Act (U. S. C., title 12, sec. 264 (h) (1)), as amended, is hereby further amended by substituting a colon for the period at the end thereof and adding the following: “*And provided further*, That until six months after the cessation of hostilities in the present war as determined by proclamation of the President or concurrent resolution of the Congress any balance payable to the United States by any insured bank, whether represented by a deposit account or otherwise, arising solely as a result of subscriptions made by or through such insured bank for United States Government securities issued under authority of the Second Liberty Bond Act, as amended, shall be excluded from the definition of ‘deposit’ for the purpose of determining the assessment base.”

SEC. 2. The last sentence of section 19 of the Federal Reserve Act (U. S. C., title 12, sec. 462a-1) be amended by substituting a colon for the period at the end thereof and by adding the following: “*Provided*, That until six months after the cessation of hostilities in the present war as determined by proclamation of the President or concurrent resolution of the Congress no deposit payable to the United States by any member bank arising solely as the result of subscriptions made by or through such member bank for United States Government securities issued under authority of the Second Liberty Bond Act, as amended, shall be subject to the reserve requirements of this section.”

Approved, April 13, 1943.