

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. 2668]
August 18, 1943

**INFORMATION REGARDING THIRD WAR LOAN
and
REFUNDING OF 3¼% TREASURY BONDS OF 1943-45**

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

For your information we quote below from an announcement by the Treasury Department, released for publication on August 16, 1943, regarding the Third War Loan and the refunding of the 3¼% Treasury Bonds of 1943-45.

Secretary of the Treasury Morgenthau today released the official circulars containing the detailed terms and conditions of the 2½% and 2% bonds, and the ⅞% certificates of indebtedness, which will be sold during the Third War Loan Drive beginning September 9.

These securities, as well as Series E War Savings Bonds, Series F and G United States Savings Bonds and Series C Treasury Savings Notes, will be available during the entire period of the Drive for subscription by individuals, insurance companies, savings banks, savings and loan associations and all other classes of subscribers except commercial banks, which are defined for this purpose as banks accepting demand deposits, which will not be permitted to subscribe for their own account.

On July 22, the Secretary announced that the securities to be sold during the Third War Loan Drive would be sold entirely to nonbanking investors. In keeping with this objective, the official circulars governing the 2% bonds and the certificates of indebtedness contain an express request that commercial banks not purchase and that subscribers not trade in these securities until ten days after the close of the Drive, or until after the books close on an offering of the same or similar securities for the exclusive subscription of commercial banks for their own account shortly after the conclusion of the Drive, whichever is earlier. The circular offering the 2½% bonds contains a provision that these bonds may not be held by commercial banks before September 15, 1953.

Secretary Morgenthau pointed out that because life insurance companies receive substantial funds at a steady and predictable rate, arrangements have been made so that such companies may subscribe during the Drive to the 2½% and 2% bonds in anticipation of funds which will be available to them for investment up to November 1, and defer payments accordingly. Provisions to carry out such arrangements are included in the official circulars. These arrangements are limited to companies whose principal business is the writing of life insurance. Bonds allotted to such companies may be paid for, in whole or in part, at par and accrued interest, at any time or times not later than November 1, 1943.

The Secretary again emphasized the importance of having subscriptions entered and paid for through the banking institutions where the funds of the subscribers are located, in order to avoid unnecessary movement of banking funds between various sections of the country.

The Secretary further announced that holders of the 3¼% Treasury Bonds of 1943-45, which have been called for redemption on October 15, will be given an opportunity to exchange their called bonds for other securities shortly after the close of the Third War Loan Drive. Holders other than commercial banks will be given the option of exchanging for either the 2% or the 2½% bonds which are to be sold during the Drive, in authorized denominations. Commercial banks will be permitted to exchange their holdings for the new 2% bonds. In all cases exchanges will be made par for par with interest adjustments as of October 15.

Additional copies of this circular will be furnished upon request.

ALLAN SPROUL,
President.