

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. 2677]
August 27, 1943]

**SUBSCRIPTION FOR 2 PERCENT DEPOSITARY BONDS, SECOND SERIES, FOR PURPOSE
OF OFFSETTING COSTS OF DEPOSITARIES FOR WITHHELD TAXES**

*To all Banking Institutions in the Second Federal Reserve District
Qualified to Act as Depositaries for Withheld Taxes:*

Reference is made to our circular No. 2648 dated July 7, 1943, with which we enclosed, among other things, a copy of Treasury Department Circular No. 714, dated June 25, 1943, entitled "Regulations Governing the Payment through Depositary Banks of Funds withheld as Taxes in Accordance with the Provisions of the Current Tax Payment Act of 1943", and a copy of Treasury Department Circular No. 660, First Supplement, pertaining to a special issue of United States of America 2 Percent Depositary Bonds, Second Series.

1. *General.*

Section 8 of Treasury Department Circular No. 714 provides that, for the purpose of offsetting costs incurred in handling deposits of withheld taxes, depositary banks may purchase 2 Percent Depositary Bonds, Second Series, under either one of two alternative methods. Under one method, the depositary is permitted to purchase such bonds with its own funds. Under the other method, the Treasury will place with the depositary a balance to the credit of the Treasurer of the United States, provided that such balance will be used by the depositary to purchase an equal amount of such bonds. A depositary may purchase with its own funds twice the amount of bonds that it may purchase if it elects to take a Treasury balance. Although Circular No. 714 provides that the initial allotment of depositary bonds or Treasury balance to which a depositary is entitled will be calculated on the basis of the business transacted by the depositary during the first full month of operation after the month in which it qualified as a depositary, *the Treasury Department has advised this bank that a depositary bank may elect to have its initial allotment based upon the business transacted during the month in which it was qualified.* For instance, depositaries which were qualified early in August may have transacted substantially a full month's business during that month, and may prefer to have their initial allotments based on that business in order to have the bonds issued after the end of August rather than after the end of September.

2. *Subscriptions for 2 Percent Depositary Bonds, Second Series.*

A subscription on Treasury Department Form No. 418, a copy of which is enclosed herewith, should be executed by the depositary and submitted to the head office of the Federal Reserve Bank of New York in time to be received before the end of the month to be used for the determination of the depositary's initial allotment, but will be accepted if received on or before the second day of the following month. If a depositary is unable to file this form before the second day of such month telegraphic advice of subscription, specifying the method of payment, will be accepted if received by the Federal Reserve Bank of New York on or before such day; but such advice must be confirmed by the depositary on form No. 418. The subscription and specified method of payment will remain in effect as long as the depositary is qualified, unless the depositary submits a new subscription on form No. 418 indicating election of a different method of payment. However, change in the election of the depositary to purchase bonds with its own funds or to take a Treasury balance for the purchase of bonds, is permitted only on the adjustment dates of December 31 and June 30 of each year.

(OVER)

3. *Initial allotments of Treasury balances and depositary bonds.*

The computation of transactions used as the basis for allotment will be based on the dates on which remittances of payments are *received* by the Federal Reserve Bank rather than on the basis of the date such remittances are forwarded by the depositary. *Accordingly, each depositary should make its final remittance of withheld taxes during the month to be used as the period for the initial determination, in ample time for such remittance to be received by the Federal Reserve Bank of New York (or the Buffalo Branch in the case of depositaries in the Buffalo territory) before the close of business of such month, even though such remittance may be less than \$5,000.* In other words, if the allotment is to be calculated on the basis of transactions during August the final remittance must be received by the Federal Reserve Bank on or before August 31, 1943; and none of the transactions covered by remittances received thereafter may be included in such computation. A depositary which makes such a final remittance will not be required to remit deposits of withheld taxes received during the remainder of the month until the balance in the account aggregates \$5,000 or more.

4. *Periodic adjustments of allotments.*

Section 8 of Treasury Department Circular No. 714 provides for periodic adjustments in the depositary bond allotments and Treasury balances, the first to be made at the close of the 3-month period after the initial allotment and thereafter at the close of each 6-month period ending June 30 and December 31. For example, allotments which are made in September on the basis of August business will be adjusted in December on the basis of the average business transacted during September, October and November, and will be readjusted in the following July on the basis of the average business transacted during each of the preceding six months.

5. *Issuance of bonds.*

All 2 Percent Depositary Bonds, Second Series, will be issued at par. All of the bonds will be dated July 1, 1943, and will be issued as of, and bear interest from, the date payment is received. Each bond will mature twelve years from the date of issue, but may be redeemed at the option of the United States or the depositary, in whole or in part, at par and accrued interest at any time, upon not less than 30 nor more than 60 days' notice in writing. Any such notice of redemption given by a depositary shall be addressed to the Federal Reserve Bank. All of the bonds will be issued in the name of the Federal Reserve Bank, as fiscal agent of the United States, in trust for the depositary.

If the depositary elects to purchase the bonds with its own funds, it will be understood that payment shall be made on the 10th day following the month under review for computation of allotment, and the bonds will be issued as of such date or as of such later date as payment for the bonds is received in finally collected funds. Such bonds will be held in safekeeping by the Federal Reserve Bank, and an appropriate safekeeping receipt will be sent to the depositary.

If the depositary elects in its subscription to take a Treasury balance, such balance will be placed with the depositary as of the 10th of the month following the month under review for the computation of the balance. Depositary bonds in the amount of the deposit will be issued as of such date, and will be held by the Federal Reserve Bank as collateral security for the deposit balance. The depositary will be advised of the amount of the deposit liability, which should be established on its books, as of the 10th of the month indicated, in an account entitled "Federal Reserve Bank of New York, Fiscal Agent of the United States, for Account of the Treasurer of the United States—Time Deposit". Such deposits do not constitute demand deposits but are time deposits subject to withdrawal upon 30 days' notice of the Secretary of the Treasury given through the Federal Reserve Bank; and, if the depositary is a member bank, such deposits shall be included in time deposits which are subject to reserve requirements.

Further information and additional copies of Treasury Department Form No. 418 and of this circular will be furnished upon request.

ALLAN SPROUL,
President.

SUBSCRIPTION FOR 2 PERCENT DEPOSITARY BONDS, SECOND SERIES

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(Date)

To FEDERAL RESERVE BANK OF NEW YORK,
Fiscal Agent of the United States,
Withheld Taxes Division,
Federal Reserve P. O. Station,
New York 7, N. Y.

Pursuant to the provisions of Resolution Authorizing Execution of Application-Agreement, Depositary for Withheld Taxes (Treasury Form 411-A), the undersigned depositary subscribes and agrees to make payment for 2 Percent Depositary Bonds, Second Series, which may be allotted from time to time for purchase by the depositary under the provisions of Section 8 of Treasury Department Circular No. 714. For determining the amount of such bonds which the undersigned depositary may be initially or periodically entitled to purchase, and for effecting payment for the bonds allotted for purchase, the method indicated below^a is selected:

**2 PERCENT DEPOSITARY BONDS, SECOND SERIES,
TO BE PURCHASED WITH THE DEPOSITARY'S OWN FUNDS**

- The Federal Reserve Bank as Fiscal Agent of the United States shall compute the allotment of 2 Percent Depositary Bonds, Second Series, on the basis of Table I incorporated in Treasury Department Circular No. 714 as Exhibit C,^b and the Federal Reserve Bank is authorized to effect payment for the bonds thus allotted by charging the reserve or clearing account of this depositary.
- The Federal Reserve Bank as Fiscal Agent of the United States shall compute the allotment of 2 Percent Depositary Bonds, Second Series, on the basis of Table I incorporated in Treasury Department Circular No. 714 as Exhibit C^b and this depositary will make payment for the bonds thus allotted by remittance of the purchase price upon advice from the Federal Reserve Bank as to the amount of the approved allotment.

**BALANCE TO THE CREDIT OF THE TREASURER OF THE UNITED STATES TO BE
PLACED WITH THE DEPOSITARY TO BE USED FOR THE PURCHASE OF AN EQUAL
AMOUNT OF 2 PERCENT DEPOSITARY BONDS, SECOND SERIES**

- A balance to the credit of the "Federal Reserve Bank of New York, Fiscal Agent of the United States, for account of the Treasurer of the United States—Time Deposit" shall be deposited with this depositary. The amount of such balance will be computed by the Federal Reserve Bank as Fiscal Agent of the United States on the basis of Table II incorporated in Treasury Department Circular No. 714 as Exhibit C^b. The Federal Reserve Bank is authorized, in lieu of remitting the amount of such authorized balance to this depositary or crediting the account of this depositary for the amount thereof, to apply such amount to the purchase of an equal amount of 2 Percent Depositary Bonds, Second Series, for account of this depositary.

The initial allotment of 2 Percent Depositary Bonds, Second Series, is to be computed by the Federal Reserve Bank, as Fiscal Agent of the United States, on the basis of the transactions of this depositary for the month of It is agreed that payment for all 2 Percent Depositary Bonds, Second Series, purchased by the undersigned depositary shall be made on the tenth day following the end of the month referred to above, and that such bonds shall be issued as of such date, or as of such later date as payment for the bonds is received by the Federal Reserve Bank for credit in the general account of the Treasurer of the United States. All 2 Percent Depositary Bonds purchased on subsequent adjustment dates as provided in Treasury Circular No. 714, as amended, shall be handled in like manner.

This subscription for 2 Percent Depositary Bonds, Second Series, and selected method of allotment and payment thereof shall remain in effect as long as the undersigned depositary is qualified as a depositary for withheld taxes unless new form of subscription in substitution thereof is submitted to the Federal Reserve Bank in time to be effective on the regular adjustment dates of December 31 and June 30 prescribed by Treasury Department Circular No. 714.

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(Name and Location of Depositary)

By:
(Name and Title)^c

^a One of the three alternative methods shown should be selected by placing a check in the appropriate square.

^b Allotments of depositary bonds will be computed by the Federal Reserve Bank on the basis of the amount of remittances received by the Federal Reserve Bank and number of items related to such remittances.

^c The officer subscribing on behalf of the depositary shall be one designated in the Resolution (Form 411-A) mentioned above.