

**FEDERAL RESERVE BANK  
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. 2848]  
October 6, 1944

**INFORMATION REGARDING THE SIXTH WAR LOAN**

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

For your information we quote below the text of an announcement by the Treasury Department released for publication on October 6, 1944, regarding the Sixth War Loan Drive.

Henry Morgenthau, Jr., Secretary of the Treasury, announced today the terms of the securities to be sold in the Sixth War Loan which will start on November 20 and will run through December 16. The goal will be \$14,000,000,000, of which \$5,000,000,000 is to come from sales to individuals and \$9,000,000,000 to other non-bank investors.

"Since January 1, 1944," the Secretary said, "the direct costs of the war have exceeded \$69,000,000,000. The critical phases of the war are still ahead of us, and for that reason we cannot expect any material decline in expenditures during the next several months. The \$14,000,000,000 is, therefore, urgently needed."

The Secretary pointed out that the major emphasis throughout the entire period of the drive will be placed on the quota of \$5,000,000,000 for individuals.

During the period from November 20 to December 1, only sales to individuals will be reported by the Treasury, although subscriptions will be received from all non-banking investors during the entire period of the drive. The campaign to sell to individuals will be supplemented starting December 1 with an intensive campaign to sell all other non-banking investors.

The Secretary said that subscriptions for Savings Bonds and Savings Notes processed through the Federal Reserve Banks between November 1 and December 31 will be counted towards the drive in order that the millions of persons employed in the nation's industrial corporations may be permitted to participate in the drive through the purchase of bonds acquired by weekly or semi-monthly deductions from their pay during this period.

The goal and the securities to be offered were determined by the Treasury after consultation with a group of chairmen of the State War Finance Committees, officials of the Federal Reserve System, a Committee of the American Bankers Association, and other investment authorities.

The securities, which will be sold under the direction of the State War Finance Committees, are as follows:

Series E, F and G Savings Bonds  
Series C Savings Notes  
2½% Bonds of 1966-71  
2% Bonds of 1952-54  
1¼% Notes of 1947  
⅞% Certificates of Indebtedness.

The 2½% Bonds to be offered in the drive will be dated December 1, 1944, due March 15, 1971, callable March 15, 1966. The bonds will be issued in coupon or registered form at the option of the buyers, in denominations from \$500 to \$1,000,000.

The 2% Bonds will be dated December 1, 1944, due December 15, 1954, callable December 15, 1952, and will be issued in coupon or registered form at the option of the buyers, in denominations of \$500 to \$1,000,000.

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The 1¼% Notes will be dated December 1, 1944, due September 15, 1947, and will be issued in denominations of \$1,000 to \$1,000,000 and in coupon form only.

The ⅞% Certificates of Indebtedness will be dated December 1, 1944, due December 1, 1945, and will be issued in denominations of \$1,000 to \$1,000,000 and in coupon form only.

The Treasury will request that there be no trading in the marketable securities and no purchases of such securities other than on direct subscription until after the closing of the drive.

The procedure for handling subscriptions of dealers and brokers will be similar to that prescribed in the Fifth War Loan Drive.

To avoid unnecessary transfers of funds from one locality to another, the Treasury again urges that all subscriptions by corporations and firms be entered and paid for through the banking institutions where funds are located. This request is made to prevent disturbance to the money market and the banking situation. The Treasury will undertake, as in the Fifth War Loan Drive, to see that statistical credit is given to any locality for such subscriptions as the purchaser may request; except that subscriptions from insurance companies will be credited to the State of the Home office as in the past.

In order to help in achieving its objective of selling as many securities as possible outside of the banking system, the Treasury requests the cooperation of all banking institutions in declining to make speculative loans for the purchase of Government securities. The Treasury is in favor of the banks making loans to facilitate permanent investment in Government securities provided such loans are made in accord with the joint statement issued by the National and State Bank Supervisory Authorities on November 23, 1942.\* However, the Treasury requests the banks not to make loans for the purpose of acquiring the drive securities later for their own account.

Concurrently with the drive, but not as a part of it, the holders of the Certificates maturing December 1, 1944 will be offered on or about November 20th a 0.90% Treasury Note dated December 1, 1944 and maturing January 1, 1946, in exchange for such Certificates. Also the commercial bank holders of the 4% Treasury Bonds of 1944-54 called for redemption on December 15, 1944 will be offered on or about November 20 the 1¼% Note and the 2% Bond offered in the drive, in exchange for such bonds; all other holders will be offered the 1¼% Note, the 2% Bond and the 2½% Bond. The exchanges for the 4% bonds will be made as of December 15, 1944 in available denominations, and accrued interest will be charged from December 1 to December 15 on the new securities.

Commercial banks, which are defined for the purpose as banks accepting demand deposits, will not be permitted to own the 2½% Bonds offered in the drive until December 1, 1954, nor to own the 2% Bonds (other than those acquired in exchange for the called 4% Bonds) until December 18, 1944, except for a limited investment of time deposits in these issues under a formula to be prescribed in the official offering circulars.

Your attention is called particularly to the last four paragraphs of the above announcement.

ALLAN SPROUL,  
*President.*

\*The joint statement referred to reads as follows:

The Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Executive Committee of the National Association of Supervisors of State Banks make the following statement of their examination and supervisory policy with special reference to investments in and loans upon Government securities.

1. There will be no deterrents in examination or supervisory policy to investments by banks in Government securities of all types, except those securities made specifically ineligible for bank investment by the terms of their issue.

2. In connection with Government financing, individual subscribers relying upon anticipated income may wish to augment their subscriptions by temporary borrowings from banks. Such loans will not be subject to criticism but should be on a short term or amortization basis fully repayable within periods not exceeding six months.

3. Banks will not be criticized for utilizing their idle funds as far as possible in making such investments and loans and availing themselves of the privilege of temporarily borrowing from or selling Treasury bills to the Federal Reserve Banks when necessary to restore their required reserve positions.