

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. 2913]
March 3, 1945]

INFORMATION REGARDING THE SEVENTH WAR LOAN

*To all Banking Institutions, and Others Concerned,
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 March 3, 1945, regarding the Seventh War Loan Drive.

Secretary Morgenthau announced today the types of securities to be sold in the Seventh War Loan Drive and the periods during which intensive campaigns will be conducted to sell these securities to the various classes of investors.

The goal for the Seventh War Loan has been set at \$14,000,000,000, of which \$7,000,000,000 is to come from sales to individuals and \$7,000,000,000 from other non-bank investors. Again the major emphasis throughout the entire drive will be placed on the quota for individuals, which is the highest established in any of the war loan drives. Of that quota, \$4,000,000,000 has been established as the goal for Series E War Savings Bonds, which is also the highest quota established in any drive for that security.

The goal and the securities to be offered were determined by the Treasury after full discussion with various groups, including chairmen of the State War Finance Committees, officials of the Federal Reserve System, members of the American Bankers Association, representatives of insurance companies, and other investment authorities.

The Secretary stated that there is every evidence that Federal expenditures are going to remain at a high level for some time to come, and that the Seventh War Loan program was designed to obtain from non-bank investors maximum funds necessary to prosecute the war.

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 percent bonds
2¼ percent bonds
1½ percent bonds
¾ percent certificates of indebtedness.

(The 1½ percent bonds will not be offered in the drive to corporations.)

The drive for individuals will extend from May 14 to June 30. However, an intensification of activities in the sale of Series E Bonds will begin April 9, when millions of persons on payroll savings plans throughout the country will be asked to enlarge their participation as a part of the Seventh War Loan. All Series E, F and G Savings Bonds and Series C Savings Notes processed through the Federal Reserve Banks between April 9 and July 7 will be credited to the drive.

During the final phase of the drive which will cover the period from June 18 through June 30, subscriptions will be received from all other non-bank investors for the 2¼ percent and the 2½ percent marketable bonds and the certificates of indebtedness.

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 on June 30.

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

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and the banking situation. The Treasury will undertake, as in the Sixth 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. The Treasury appreciates the substantial cooperation it has received in this respect.

In order to help in achieving its objective of selling as many securities as possible outside of the banking system, the Secretary will request the cooperation of all banking institutions in declining to make speculative loans for the purchase of Government securities, and in declining to accept subscriptions from customers which appear to be entered for speculative purposes. The acquisition of outstanding securities by banks on the understanding that a substantially like amount of the new securities will be subscribed for through such banks, thus enabling them to expand their war loan deposit balances, is regarded as an improper practice by the Treasury. The Secretary will request banking institutions not to make such purchases, and not to make loans for the purpose of acquiring the drive securities later for their own account. 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.*

The Treasury requests that all non-bank investors refrain from selling securities heretofore acquired to obtain funds to subscribe for the securities offered in the Seventh War Loan Drive. However, this request is not intended to preclude normal portfolio adjustments.

Life insurance companies, savings institutions, and States, municipalities, political subdivisions and similar public corporations, and agencies thereof, will be permitted to make deferred payment, at par and accrued interest, for the $2\frac{1}{4}$ percent and $2\frac{1}{2}$ percent marketable bonds allotted to them, up to August 31, 1945.

During the period from June 18 through June 30 commercial banks, which are defined for this purpose as banks accepting demand deposits, will be afforded an opportunity to subscribe for Series F and Series G Savings Bonds, and for the $1\frac{1}{2}$ percent bonds and the $\frac{7}{8}$ percent certificates offered in the drive, in aggregate amounts not exceeding \$500,000 or 10 percent of the time deposits (of which not more than \$100,000 may be Series F and Series G Savings Bonds) under the same formula as was used during the last drive. Securities so acquired by the banks will not be included in the drive nor will they be counted toward any quota.

Commercial banks will not be permitted to own the $2\frac{1}{2}$ percent or the $2\frac{3}{4}$ percent marketable bonds offered in the drive until within ten years of their respective maturity dates.

Your attention is called particularly to the last six 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.

FEDERAL RESERVE BANK
OF NEW YORK

March 5, 1945.

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

We are pleased to announce that Potsdam Bank and Trust Company, Potsdam, New York, has become a member of the Federal Reserve System effective March 5, 1945.

ALLAN SPROUL,
President.