FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

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August 23, 1945]

INFORMATION REGARDING THE VICTORY 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 August 23, 1945, regarding the Victory Loan Drive.

Secretary Vinson announced today that the Victory Loan Drive will begin October 29, 1945 and that the goal is $11,000,000,000.

The Secretary said:

"The present Treasury balance is large but enormous obligations incurred in the achievement of victory, including those for material and munitions already delivered and used, will drain this balance quickly and additional funds will be needed early in December. Government expenditures are being drastically reduced and this will continue vigorously. The aftermath of war, however, carries grave responsibilities that must be met. A substantial army and navy must be maintained until order is restored throughout the world. The cost of contract settlements, bringing our forces home, their mustering-out pay, hospitalization, care, and rehabilitation will be great and will require large sums for which we must plan now."

The Secretary said that the major emphasis in the Victory Loan Drive will again be on sales to individuals. He took occasion to stress the importance of saving on the part of individuals and the wise investment of savings, and stated that although this is the last great public drive systematic saving through payroll deduction plans for the purchase of Series E bonds will be continued. It is essential to the orderly continuance of the program that industrial plants, business establishments, and Federal, State, and local governments with payroll deduction plans continue to service those plans, Mr. Vinson said, and it is highly important that all authorized issuing agents continue their bond issuing activities. The termination of the war should make no change in these respects.

The goal and securities to be offered were determined by the Treasury after 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.

Detailed information concerning the drive follows:

Of the $11,000,000,000 goal, $4,000,000,000 is to come from sales to individuals and $7,000,000,000 from other non-bank investors. Of the individual quota, $2,000,000,000 is to come from the sale of Series E bonds. 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% Treasury Bonds of 1967-72, maturing December 15, 1972
2¼% Treasury Bonds of 1959-62, maturing December 15, 1962
⅞% Certificates of Indebtedness maturing December 1, 1946

The Drive for individuals will extend from October 29 through December 8. During the period from December 3 through December 8, subscriptions will be received from all other non-bank investors for the marketable securities.

The 2¼% and 2½% bonds will be dated November 15 and the certificates of indebtedness will be dated December 3, 1945, and will be sold at par and accrued interest from those dates.

All Series E, F and G Savings Bonds and Series C Savings Notes processed through the Federal Reserve Banks between October 29 and December 31 will be credited to the Drive.

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 December 8.

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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 Seventh 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 Treasury urges 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. 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 Victory Loan Drive. This request is not intended to preclude normal portfolio adjustments. However, subscriptions by insurance companies and savings institutions will be subject to limitations to be announced later.

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 2¼% and 2½% marketable bonds allotted to them, up to February 28, 1946.

During the period from December 3 through December 8 commercial banks, which are defined for this purpose as banks accepting demand deposits, will be afforded an opportunity to invest a portion of their time deposits in Series F and Series G Savings Bonds, the 2¼% and 2½% Treasury bonds, and the ⅞% certificates offered in the Drive, under limitations to be announced later. 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 2½% or the 2¼% marketable bonds offered in the Drive until within ten years of their respective maturity dates, except as provided above.

The special bond in memory of the late President Franklin Delano Roosevelt will first be available at the start of the Victory Loan Drive, when it will be on sale at all agencies authorized to issue United States Savings Bonds of Series E.

This bond, in the denomination of $200, to be issued at $150, will constitute an additional denomination of Series E bonds, and will have the same terms and attributes as the other denominations.

Your attention is called particularly to the last eight 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 made 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.