

FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

[Circular No. 3089]
May 17, 1946

MODIFICATION OF VARIOUS DEPARTMENT CIRCULARS GOVERNING ISSUES OF
TREASURY BONDS RESTRICTED AS TO OWNERSHIP BY COMMERCIAL
BANKS WHICH ACCEPT DEMAND DEPOSITS

*To all Banks and Trust Companies
in the Second Federal Reserve District:*

At the request of the Secretary of the Treasury we transmit to you herewith copy of a statement released to the press for publication today.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Friday, May 17, 1946.

In order to enable banks to render better service to individuals and corporations wishing to buy or sell restricted Government securities, Secretary Vinson announced today that he had amended Treasury regulations so as to permit commercial banks to hold a limited amount of the restricted issues for trading purposes.

The limit on holdings is 1 percent of demand deposits, excluding war loan deposits and interbank deposits, or \$500,000, whichever is less. The bonds so held shall be in addition to and shall be held in an account separate from the bonds of such issues which have been otherwise acquired.

The change was made after consultation with Federal Reserve authorities, who agreed that it would be helpful particularly to small non-bank investors.

We wish to call your attention to the fact that this provision is not intended by the Treasury to permit banks to buy and hold additional bonds for investment or to create a trading account merely for the bank's own benefit. On the contrary, it is intended to facilitate transactions by bank customers in cases where it is the bank's practice to buy and sell other issues of Treasury securities directly with such customers.

Treasury Department Circular No. 787 which incorporates the details and enumerates the issues affected, is reprinted on the reverse side.

Additional copies of this circular will be furnished upon request.

ALLAN SPROUL,
President.

(OVER)

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1946
Department Circular No. 787
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, May 17, 1946.

I. ENUMERATION OF DEPARTMENT CIRCULARS AFFECTED

1. The Department circulars modified by this circular and the Treasury bond issues which they govern, are as follows:

- No. 685)— $2\frac{1}{2}$ percent Treasury Bonds of 1962-67
692)
- No. 701 — $2\frac{1}{2}$ percent Treasury Bonds of 1963-68
- No. 708 — $2\frac{1}{2}$ percent Treasury Bonds of 1964-69 (dated April 15, 1943)
- No. 719)— $2\frac{1}{2}$ percent Treasury Bonds of 1964-69 (dated September 15, 1943)
724)
- No. 729)— $2\frac{1}{2}$ percent Treasury Bonds of 1965-70
734)
740)
- No. 730)— $2\frac{1}{4}$ percent Treasury Bonds of 1956-59
735)
- No. 755)— $2\frac{1}{2}$ percent Treasury Bonds of 1966-71
760)
- No. 768 — $2\frac{1}{2}$ percent Treasury Bonds of 1967-72 (dated June 1, 1945)
- No. 769 — $2\frac{1}{4}$ percent Treasury Bonds of 1959-62 (dated June 1, 1945)
- No. 776 — $2\frac{1}{2}$ percent Treasury Bonds of 1967-72 (dated November 15, 1945)
- No. 777 — $2\frac{1}{4}$ percent Treasury Bonds of 1959-62 (dated November 15, 1945)

II. MODIFICATION OF CIRCULARS

1. Each of the circulars enumerated in section I hereof provides that the bonds issued thereunder may not be transferred to or be held by commercial banks, which were defined for this purpose as banks accepting demand deposits, before various fixed dates, except to the extent and in the manner set forth in the governing circulars. These provisions are hereby modified to permit any such bank to hold, for the purpose of facilitating transactions for the account of customers, bonds issued pursuant to said circulars in an aggregate amount not to exceed at the close of business on any day one percent of its demand deposits, excluding United States war loan deposits and interbank deposits, or \$500,000, whichever is less. Such bonds shall be in addition to and shall be held in an account separate from those otherwise acquired pursuant to the provisions of the offering circulars.

FRED M. VINSON,
Secretary of the Treasury