

FEDERAL RESERVE BANK  
OF NEW YORK

Fiscal Agent of the United States

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ARMED FORCES LEAVE BONDS

*To all Banking Institutions, and Others Concerned,  
in the Second Federal Reserve District:*

For your information we quote below the text of a recent press statement issued by the Treasury Department.

Secretary Snyder announced today that the Treasury has put in motion the machinery necessary for issuing the G. I. terminal leave bonds under the bill signed by President Truman.

The bonds will be designated as "Armed Forces Leave Bonds", and will bear the portrait of former Secretary of the Treasury Carter Glass.

The bonds will be turned over to issuing agents of the Army, Navy and Coast Guard for delivery to veterans after applications have been received, verified, and approved by the services.

The principal amount of the bonds will be in multiples of \$25, beginning with \$50, with amounts in excess of the nearest multiple of \$25 to be paid by check through the disbursing officers of the Army, Navy, and Coast Guard. Thus, a veteran entitled to leave pay of \$87.50 will receive a \$75 bond and a check for \$12.50. Amounts less than \$50 will be paid by check.

It is estimated that bonds will be issued to approximately 13 million veterans, in a total face amount of about \$2,100,000,000.

The bonds will be registered only in the name of the veteran and will bear interest at the rate of 2½% a year until maturity, or until the date of payment if payment is made before maturity. The bonds will not be payable until five years from their date, except in the event of the death of the veteran, in which event the bond may be redeemed immediately at the request of his survivors, as defined in the Act.

The issue date which will be shown on the bond will be the first day of the quarter following the date of the particular veteran's discharge. The first issue date will be April 1, 1943, which will mean that the bonds will begin to mature, at quarterly intervals, on April 1, 1948.

The securities cannot be transferred to anyone else or pledged as collateral for loans, nor can they be assigned except to the Administrator of Veterans Affairs in payment of certain insurance premiums, under such regulations as the Administrator may establish. Once such privilege has been exercised, no further change may be made.

The Secretary stressed the fact that the veterans or their survivors will receive at maturity or prior payment of their bonds, interest at 2½% a year, or 12½% for five years; for example, a veteran holding a \$100 bond will receive \$112.50 when it matures five years from the date of issue.

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Secretary Snyder said the Treasury even now is considering the problems relative to cashing the bonds when they mature. For the convenience of the veteran, he expects to make arrangements whereby upon presentation of a matured bond, and with proper identification, any bank or other authorized paying agent of the Treasury can make immediate payment of the face amount and interest. The Treasury will furnish the banks and other paying agents with charts to facilitate the calculation of the interest payable on each bond.

Secretary Snyder said that in order to reduce the costs of the operation to the Government, and to facilitate payment of and accounting for the bonds at maturity, the Treasury had decided upon an innovation in the manner of issuing and the style of the securities. The Armed Forces Leave Bonds will be in the form of distinctively designed punched cards. This follows the pattern of most Treasury checks now being issued, and will enable the Treasury to mechanize many of its accounting operations.

Through the use of punched-card procedures, the Treasury can establish accounting controls and records for the purpose of rendering quicker service to veterans in case of loss or theft of their bonds; avoiding or promptly detecting erroneous payments; and reducing clerical expense in handling and processing of such a large volume of securities.

In addition to the contemplated savings in operations, the Treasury expects to save about \$225,000 in bond production costs by the use of this new form of security. However, distinctively designed, protective paper will be used, and the general design of the face of the bond will be similar to that of other securities.

Secretary Snyder said that this departure of the Treasury from the issuance of the usual types of securities does not constitute a precedent. It was pointed out that factors peculiar to the Armed Forces Leave Bonds make the punched card a particularly suitable and safe instrument for Treasury operations, especially the fact that these bonds are all registered, and may not be sold, transferred, or used as security for a loan.

Additional copies of this circular may be obtained upon request.

ALLAN SPROUL,  
*President.*