

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. 3575]
August 8, 1950]

**DEPOSIT OF FEDERAL TAXES WITH DEPOSITARY BANKS
AND FEDERAL RESERVE BANKS**

**Discontinuance of Special Draft for Credit in
Treasury Tax and Loan Account**

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

The Secretary of the Treasury has announced the discontinuance, effective September 1, 1950, of Special Drafts for credit in Treasury Tax and Loan Accounts covering Federal taxes deposited by employers directly with Federal Reserve Banks. This action has been taken in the interest of economy and efficiency in operations.

We enclose amendments, dated July 20, 1950, to Treasury Department Circulars No. 92 (Revised) and No. 848, which revoke the provisions in these circulars relating to Special Drafts for credit in Treasury Tax and Loan Accounts. We also enclose a copy of our Operating Circular No. 18, Revised September 1, 1950, reflecting these amendments.

Additional copies of this circular and of the enclosures will be furnished upon request.

ALLAN SPROUL,
President.

**SPECIAL DEPOSITS OF PUBLIC MONEYS UNDER THE ACT OF CONGRESS
APPROVED SEPTEMBER 24, 1917, AS AMENDED (SECOND LIBERTY BOND
ACT, AS AMENDED)**

1950
Department Circular No. 92 (Revised)
First Amendment
Fiscal Service
Bureau of Accounts

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, July 20, 1950.

To Federal Reserve Banks and other incorporated banks and trust companies in the United States (including the District of Columbia), the Territories of Alaska and Hawaii, Puerto Rico, the Virgin Islands, and the Panama Canal Zone:

Department Circular No. 92 (Revised), dated November 10, 1949, is hereby amended, effective September 1, 1950, as follows:

By deleting subparagraph 13(c), under the section entitled "Deposits in Treasury Tax and Loan Account";

By deleting paragraph 17, under the section entitled "How Deposits Are To Be Made";

By deleting the heading and the succeeding paragraphs 18 through 22, comprising the entire section entitled "Special Draft for Credit in Treasury Tax and Loan Account";

By deleting Exhibit C entitled "Special Draft for Credit in Treasury Tax and Loan Account";

And by renumbering paragraphs 23 and 24, under the section entitled "Withdrawal of Deposits," to read 17 and 18, respectively.

(Signed) JOHN W. SNYDER,
Secretary of the Treasury.

**REGULATIONS GOVERNING THE DEPOSIT WITH FEDERAL RESERVE
BANKS AND DEPOSITARY BANKS OF EMPLOYER AND EMPLOYEE
TAXES UNDER THE FEDERAL INSURANCE CONTRIBUTIONS ACT
AND OF INCOME TAX WITHHELD ON WAGES UNDER SECTION 1622
OF THE INTERNAL REVENUE CODE**

(Applicable to Wages Paid on or after January 1, 1950)

1950
Department Circular No. 848
First Amendment
Fiscal Service
Bureau of Accounts

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, July 20, 1950.

To Federal Reserve Banks, incorporated banks and trust companies, and others concerned:

Department Circular No. 848, dated November 10, 1949, is hereby amended, effective September 1, 1950, by deleting subparagraph E, under section 10 entitled "Functions to be Performed by Federal Reserve Banks," and by substituting in lieu thereof the following:

"(E) Perform the necessary functions to provide for crediting deposits of Federal taxes in Treasury Tax and Loan Accounts of depositary banks, with respect to deposits of such taxes made by employers with banks acting in their capacity as Depositaries for Federal Taxes."

(Signed) JOHN W. SNYDER,
Secretary of the Treasury.

DEFENSE LOAN POLICY

*An Announcement Adopted Jointly by National and State Supervisors
of Banks and Other Lending Institutions*

The President of the United States in his message to the Congress on July 19, 1950, pointed out that as a further important safeguard against inflation we shall need to restrain credit expansion, and that if we are to be successful there must be sensible and restrained action by businessmen, laborers, farmers, and consumers. The need for the exercise of restraint is all-embracing. It applies alike to governmental agencies, national and State, as well as to private institutions and individuals.

Accordingly, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Home Loan Bank Board, and the National Association of Supervisors of State Banks urge that banks and all other institutions engaged in extending credit exercise special care in their lending and investment activities.

The banks and other lending institutions of the country have demonstrated by their loyal response at critical periods in the past that they will stand united with their Government in the situation that now confronts us.

Officials of associations of lending institutions have called upon banks and other financial institutions to decline to make loans to business or consumers which might be used for speculative purposes or otherwise interfere with defense requirements. The supervisory authorities strongly join in this request.

All officials of the supervisory agencies will be glad to confer with the officers of banks and other financial institutions, to counsel with them regarding this program of credit restraint.

As pointed out by President Truman, an abnormally high civilian demand for goods along with an increased need for military materials is creating a strong upward pressure on prices. A continuation of the rapid growth of credit resulting from consumer demand for houses and other goods and speculative accumulation of inventories by business would add to inflationary pressures and seriously handicap the necessary expansion of military production. Therefore, lenders should carefully analyze all loan applications and avoid making loans which would have these adverse effects.

August 4, 1950.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
COMPTROLLER OF THE CURRENCY
FEDERAL DEPOSIT INSURANCE CORPORATION
HOME LOAN BANK BOARD
NATIONAL ASSOCIATION OF SUPERVISORS OF STATE BANKS