

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 3678]
March 23, 1951

**VALUATION OF NONMARKETABLE
DIRECT OBLIGATIONS OF THE UNITED STATES
IN COMMON TRUST FUNDS**

*To all Member Banks in the
Second Federal Reserve District:*

Following is the text of a statement issued by the Board of Governors of the Federal Reserve System:

The recent Treasury Department announcement regarding a new investment series of $2\frac{3}{4}\%$ Treasury Bonds which will be offered March 26, 1951, in exchange for outstanding $2\frac{1}{2}\%$ Treasury Bonds of June 15 and December 15, 1967-72, has given cause to inquiries concerning the question whether, in the periodic valuation of assets in a Common Trust Fund operated in accordance with the provisions of Section 17(c) of the Board's Regulation F, it would be permissible to value the new nonmarketable $2\frac{3}{4}\%$ Treasury Bonds at par value or whether such bonds should be valued at the market value of the 5-year $1\frac{1}{2}\%$ Treasury Notes for which they will be exchangeable.

In a statement published in the Federal Reserve Bulletin for April 1948 at page 397, regarding a similar inquiry relating to the valuation of Series G United States Savings Bonds, reference was made to the fact that Regulation F does not undertake to prescribe any precise basis or method of valuation and that the only provision of the Regulation which is pertinent to this matter is the requirement, contained in Section 17(c)(1), that the written Plan for the operation of a Common Trust Fund shall include, among other things, provisions relating to the basis and method of valuing the assets in the Fund.

Accordingly, Regulation F does not prohibit the valuing of Series G United States Savings Bonds, or other nonmarketable direct obligations of the United States, at par value in the periodic valuation of assets in a Common Trust Fund, and such action is permissible if it is consistent with the terms of the written Plan governing the Common Trust Fund and with applicable State law.

Additional copies of this circular will be furnished upon request.

ALLAN SPROUL,
President.