

FEDERAL RESERVE BANK  
OF NEW YORK

Circular No. 104.

*Reference to 161*

New York, June 1, 1918.

SPECIAL GOVERNMENT DEPOSITS

of

Receipts of Income and Excess Profits Taxes.

TO THE PRESIDENT,

SIR:

We desire to call your particular attention to the provisions of Treasury Department Circular No. 92, dated October 6, 1917, and the supplement thereto dated May 29, 1918, copy of which has been mailed to you by the Department.

Embarrassment to the Government and congestion in the financial situation resulting from the payment of income and excess profits taxes during the current month must, of course, be reduced to a minimum; and to this end it is essential that all the banks and trust companies of the country cooperate with the Treasury Department and the Federal reserve banks in carrying out the plans prepared by the Secretary of the Treasury, as set forth in the said circular.

If your institution is already a qualified depository, it need not requalify, but you can only receive deposits of tax monies for an amount for which your institution is qualified in excess of your existing Government deposits. It is imperative that you notify the Federal Reserve Bank of New York by letter or telegram of your desire to receive deposits of such tax monies.

If your institution is not already qualified as a depository under the terms of Treasury Department Circular No. 92 and of the supplement thereto dated April 10, 1918, or if your institution is not qualified for a sufficient amount in excess of your present Government deposits, you must make application for deposits of public monies on Form H-3, accompanied by a certified copy of resolutions duly adopted by the board of directors or trustees of your institution on Form J-3.

Please bear in mind particularly the following points, which are of vital importance:

1. The necessity of qualifying to receive the tax monies in ample amount.
2. The necessity of forwarding at once the necessary collateral security to obtain such qualification.

3. The importance of your advising and encouraging your clients and depositors to use the United States certificates of indebtedness maturing June 25th in payment for the income and excess profits taxes to as great an extent as possible.
4. The obligation upon banks and trust companies that they shall under no circumstances permit the defeat of the purpose for which such certificates of indebtedness were issued, either by cashing them for their customers or making loans upon them to enable their customers to make payments of taxes in cash instead of by using these certificates of indebtedness.

The importance of cooperating with the Treasury Department cannot be overstated, in view of the fact that there are outstanding more than \$1,500,000,000 of such certificates of indebtedness and that their presentment for payment would not only cause a serious dislocation of funds, but also would require the Government to make heavy withdrawals of monies now held by depositaries in order to provide funds to pay for the certificates presented.

Any depositary which fails to comply with the requirements of Paragraphs three and four above, will under the terms of the Treasury Department circular, be disqualified as a depositary for any monies arising from the payment of Income and Excess Profits Taxes.

Institutions which have not qualified as depositaries of public monies and also those which will desire to qualify for additional amounts, please note the following:

1. Banks or Trust companies which have not qualified, should furnish three copies of the application (form G.D.7); three copies of the list of collateral securities attached to the application; and one certified copy of the resolution (form G.D.6) of your board of directors, with corporate seal affixed.
2. Bonds or commercial paper offered as collateral security for deposits should be listed by typewriter on the application (form G.D.7). Bonds should be listed alphabetically in detail; viz: name of bond, lien, maturity (month, day and year), rate, date of next maturing coupon, par value. Serial bonds should be listed separately as to the amount of each maturity. Commercial paper should be listed in accordance with instructions on applications (form G.D.7). No collateral security should accompany the applications; upon approval advice will be given when and where to deposit it. The collateral security should be diversified and of such character that the market value may be readily obtained.

As to the eligibility of collateral security, you are to be guided by Department Circular No. 92 and the amendments thereto dated April 10, 1918 and May 29, 1918.

Applications will be approved in the order in which they are received at this bank.

Very truly yours,

BENJ. STRONG,

Governor.