

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 4051]
December 7, 1953

CASH OFFERING

2¼ Per Cent Commodity Credit Corporation Certificates of Interest

Dated December 17, 1953

Due August 2, 1954

To All Commercial Banks in the
Second Federal Reserve District:

The Commodity Credit Corporation (CCC) has informed us that it has consolidated in a pool outstanding commodity loans on cotton. CCC is inviting commercial banks (defined as banks accepting demand deposits) to participate in financing \$450,000,000, or thereabouts, of these loans and, accordingly, is offering to the banks 2¼ per cent Certificates of Interest, to be dated December 17, 1953, to evidence such participation. The terms of this offering are set forth in an announcement of the CCC, printed on the following pages. The Certificates will mature on August 2, 1954, but will be purchased by CCC prior to maturity upon demand. These Certificates will be issued in registered form only but may be transferred (in the manner prescribed in numbered paragraph 4 of the CCC announcement) to any commercial bank, Federal Reserve Bank, or such other banking institution as may be determined by CCC to be eligible. Assignment forms for effecting transfers will be forwarded to certificate holders with copies of their certificates; additional assignment forms may be obtained from this Bank upon request.

These Certificates of Interest may be purchased by national banks under the provisions of paragraph 10 of Section 5200 of the Revised Statutes of the United States. The New York State Banking Board amended General Regulation Number 9 to provide that the restrictions on extensions of credit contained in Subdivision 1 of Section 103 of the Banking Law shall not be applicable to these Certificates; the amendment will expire August 2, 1954. The Commissioner of Banking and Insurance and the Banking Advisory Board of the State of New Jersey amended Order No. 2 to permit a bank to purchase these Certificates to an amount not in excess of 25 per cent of the aggregate of its unimpaired capital stock and surplus.

By reason of an amendment to Treasury Department Circular No. 92 (Revised) these Certificates will be eligible as collateral for Treasury Tax and Loan Accounts at face amounts less any repayments thereon, provided they are accompanied at the time of pledge by properly executed assignment forms. These Certificates will also be eligible as collateral for advances by Federal Reserve Banks to member banks under the provisions of Section 2(a) of Regulation A, as amended.

In the interest of an equitable distribution of these Certificates, *banks are requested by CCC to limit their applications to amounts not to exceed one-half of their present capital, surplus and undivided profits.*

Payment for these Certificates must be made in immediately available funds on December 17, 1953. A member bank may make payment by authorizing us to charge its reserve account; it is suggested that a nonmember bank make payment by requesting its correspondent member bank to authorize us to charge the latter's reserve account. *Payment for these Certificates cannot be made by credit to Treasury Tax and Loan Account.*

The subscription books will be open on December 10, 1953, *for one day only*; applications addressed to the Head Office of the Federal Reserve Bank of New York and postmarked prior to midnight of that day will be considered timely applications. Subscriptions should be made on the official application forms (Form No. 90-3), a copy of which is enclosed.

Additional copies of this circular will be furnished upon request.

ALLAN SPROUL,
President.

COMMODITY CREDIT CORPORATION

ANNOUNCEMENT CHF-2 DECEMBER 7, 1953

Offering Commercial Banks the Opportunity to Finance Price Support Loans on Cotton Which Were Originally Disbursed by CCC or Purchased by CCC From Lending Agencies

AMOUNT OF OFFERING \$450,000,000 OR THEREABOUTS

SECTION I—OFFER OF PARTICIPATION

Commodity Credit Corporation (hereinafter called "CCC") has consolidated in a new pool (hereinafter referred to as the "Pool") outstanding price support cotton loans of the 1952 crop and 1953 crop cotton loans to cooperative associations which have previously been held in separate pools. These loans now total \$472,000,000.

Certificates of Interest (hereinafter called "Certificates") of approximately \$18,000,000 are currently outstanding on these pooled loans. These outstanding Certificates may, at the Certificate holder's option, be sold to CCC or exchanged for Certificates issued upon the terms and conditions of Section II of this Announcement, which Certificates shall respectively be in face amounts equal to the value of the exchanged Certificates and shall bear the issue date and rate of interest shown on the exchanged Certificates. Holders of such Certificates have been separately advised of this option. (This Announcement will in no way affect the operation of pools of loans evidenced by 1953 Cotton Producer's Note and Loan Agreement (CCC Cotton Form A) since these loans are not included in the Pool with respect to which Certificates will be issued pursuant to this Announcement.)

Commercial Banks, which for this purpose are defined as banks accepting demand deposits, (hereinafter called "Banks") may participate in the financing of price support cotton loans placed in the Pool by making funds available to CCC at the Federal Reserve Bank of Chicago, Fiscal Agent for CCC, (hereinafter called "Custodian"). Certificates in the amount of \$450,000,000 or thereabouts, bearing interest at the rate of $2\frac{1}{4}$ percent per annum, will be issued pursuant to this Announcement to the extent of the available balance to evidence participation in the Pool. Certificates will mature on August 2, 1954, but will be purchased by CCC prior to maturity upon demand. The terms and conditions upon which Banks may participate in the Pool are set forth in Section II of this Announcement.

Banks which desire to participate in the financing of the Pool shall make application to the Federal Reserve Bank or Branch of the district in which they are located. Applications may be made on forms which will be available at any Federal Reserve Bank or Branch or by wire or mail. Applications should be made for Certificates in multiples of \$1,000 and for not less than \$5,000.

Books for the receipt of applications will be opened for one day only, December 10, 1953. Applications addressed to any Federal Reserve Bank or Branch and postmarked prior to midnight December 10, 1953, will be considered in this offering of participation Certificates. CCC reserves the right to reject any application, in whole or in part, or to allot less than the amount of Certificates applied for, and its decision in these respects shall be final. Applicants will be informed of allotments as soon as possible after closing of the books.

The purchase price of the Certificates will be 100 percent of the face amount thereof.

Payment for the Certificates allotted shall be made through the Federal Reserve Bank or Branch where application was filed in funds available at the Federal Reserve Bank of Chicago on December 17, 1953, and Certificates will be issued as of that date. In the event the total amount available is not applied for, the amount remaining will be announced and will be available to applicants in the order of receipt of their applications by the Custodian.

To the Pool from time to time there will be added other price support cotton loans. A lending agency which makes loan advances to cooperative associations on 1953 crop cotton pursuant to an agreement with CCC will receive a Certificate equal to the amount of such loan advances bearing interest at the rate prescribed in the agreement and the applicable loans will be placed in the Pool. Further offerings of Certificates to the extent of the available balance in the Pool may be made by CCC.

SECTION II—TERMS AND CONDITIONS

Certificates evidencing participation in the Pool will be issued upon the following terms and conditions:

1. The Federal Reserve Bank of Chicago, Fiscal Agent for CCC, (hereinafter called "Custodian") will issue Certificates and act as Custodian of the Certificates for the holders thereof.
2. The aggregate value of all outstanding Certificates will not exceed the amount of the Pool. The Custodian will retain the Certificates and will furnish each original holder with a copy thereof.

3. The Certificates will be issued as of the date on which funds therefor are credited by the Custodian to the account of CCC except that (1) when a Certificate is issued in exchange for an outstanding Certificate, it shall bear the issued date of the Certificate for which it was exchanged or (2) when a Certificate is issued to a lending agency in the amount of a 1953 crop cotton loan advance made by such lending agency to a cooperative association pursuant to an agreement with CCC, it shall bear the date on which the loan advance is made by payment of the draft for the advance. The face amount of the Certificate, less principal payments thereon, will constitute the value of the Certificate. Interest at the rate shown on the Certificate will be payable at the time and upon the amount of each principal payment made upon the Certificate and will be computed on a 365-day basis from and including the date of the Certificate to, but not including, the date of such payment.

4. The Certificate may be transferred to any commercial bank, Federal Reserve Bank or such other banking institution as may be determined by CCC to be eligible, by execution of an Assignment of Certificate of Interest (Commodity Credit Corporation Form 320, hereinafter called "Assignment"). Transfers will be recorded as of the date of receipt and acceptance of such Assignment by the Custodian or as of the date of receipt by the Custodian of telegraphic advice of such Assignment if such advice is promptly confirmed by the delivery to the Custodian of a duly executed Assignment. In the event of announcement by CCC, as provided in paragraph 6 hereof, that Certificates will be purchased during a designated month, Assignments and telegraphic advices received during the first ten calendar days of that month will not be recorded prior to the expiration of such period.

5. CCC will, upon demand by the Certificate holder of record to the Custodian, purchase through any Federal Reserve Bank or Branch any outstanding Certificate at any time by paying to the Certificate holder of record the value thereof plus accrued interest. CCC will purchase at maturity all outstanding Certificates.

6. CCC reserves the right to purchase at its option any outstanding Certificate, in whole or in part, and will, in the event the value of the outstanding Certificates on the last day of any month prior to maturity exceeds the unpaid principal of the loans comprising the Pool as determined by CCC during that month, purchase outstanding Certificates, in whole or in part, in a total amount sufficient to reduce the outstanding Certificates to the unpaid principal amount of the loans comprising the Pool. CCC will pay for any Certificate purchased, in whole or in part, all or the respective part of the value of the Certificate plus accrued interest on such amount. Any purchase by CCC of outstanding Certificates, in whole or in part, except as provided in paragraph 5, will be made only during the first ten calendar days of a month and CCC will announce by press release on the first business day of each month prior to maturity whether any purchases of Certificates, in whole or in part, will be made during the month. Payments for such purchases will be made during the first ten calendar days of such month to the Certificate holders of record as of the last day of the preceding month.

7. No Member of, or Delegate to, Congress, or any Resident Commissioner, will be admitted to any share or part of this contract or to any benefit to arise therefrom except that this provision will not be construed to extend to their interest in any incorporated company, if the contract be for the general benefit of such company.

8. The applicant Bank warrants that it has not employed any person to solicit or secure this contract upon any agreement for a commission, percentage, brokerage, or contingent fee and that no such consideration or payment has been or will be made. Breach of this warranty will give CCC the right to annul the contract, or at its discretion, to deduct from the contract consideration the amount of such commission, percentage, brokerage, or contingent fees. This warranty will not apply to commissions payable by the applicant Bank upon contracts secured or made through bona fide employees or bona fide established commercial or selling agencies utilized by the applicant Bank for the purpose of securing business.

SECTION III—PURPOSE AND FINANCIAL ORGANIZATION OF CCC

The Commodity Credit Corporation engages in buying, selling, lending, and other activities with respect to agricultural commodities, their products, foods, feeds, and fibers for the purpose of stabilizing, supporting, and protecting farm income and prices, assisting in the maintenance of balanced and adequate supplies of such commodities; and facilitating their orderly distribution. The Corporation also makes available materials and facilities required in connection with the production and marketing of such commodities.

The Corporation is managed by a board of directors, subject to the general supervision and direction of the Secretary of Agriculture, who is, ex officio, a director and the chairman of the board. In addition to the Secretary, the board consists of six members appointed by the President and confirmed by the Senate. There is also a bipartisan advisory board of five members appointed by the President to survey the general policies of the Corporation and advise the Secretary with respect thereto.

The Corporation has an authorized capital stock of \$100 million, all of which is held by the United States, and authority to borrow up to \$6.75 billion. On September 30, 1953, outstanding commitments against this authority amounted to \$4.39 billion. CCC will at all times hold in reserve an amount of its borrowing authority sufficient to cover outstanding Certificates.

J. J. SOMERS, *Controller,*
Commodity Credit Corporation.

APPLICATION FORM AND PAYMENT LETTER
2 1/4% CERTIFICATES OF INTEREST
OF THE COMMODITY CREDIT CORPORATION

Dated December 17, 1953

Due August 2, 1954

Date _____

Application filed through the Federal Reserve Bank or Branch of _____
(To be filed with Federal Reserve Bank or Branch of the District in which applicant is located.)

To Federal Reserve Bank of Chicago
Fiscal Agent and Custodian of
Commodity Credit Corporation

Gentlemen:

Pursuant to the terms and conditions of the official Announcement CHF-2, dated December 7, 1953, of the Commodity Credit Corporation the undersigned hereby applies for \$ _____ face amount of the Certificates of Interest described therein. (see note below)

NOTE: Applications must be in multiples of \$1,000 except that no certificate will be issued for less than \$5,000.

Payment for total amount allotted hereon to be made on or before December 17, 1953, as follows: (Payment by Treasury Tax and Loan credit not permitted.)

- By Charge to our reserve account at the Federal Reserve Bank of _____
(Main Office OR Branch where reserve account is carried)
- By Check in immediately available funds.
- By Charge to reserve account of _____
(Appropriate instructions to correspondent necessary)

Repayments at or before maturity as provided in the official Announcement are authorized to be made by credit to our reserve account (in case of member banks) or by check (in case of nonmember banks).

Certificate to be inscribed and copy thereof mailed to: (Please type or print.)

Name of Bank _____
Street Address _____
City or Town _____
State _____

Official Signature

(A.B.A. No. _____)

**Original—To be forwarded to Federal Reserve Bank of Chicago by
Federal Reserve Bank or Branch receiving application.**

For Use of Federal Reserve Bank of Chicago

Typed by _____	Allotted \$ _____
Checked by _____	Computed by _____
Date Shipped or Delivered _____	Checked by _____
_____	Date Payment Received _____

APPLICATION FORM AND PAYMENT LETTER
2¼% CERTIFICATES OF INTEREST
OF THE COMMODITY CREDIT CORPORATION

Dated December 17, 1953

Due August 2, 1954

Date _____

Application filed through the Federal Reserve Bank or Branch of _____

(To be filed with Federal Reserve Bank or Branch of the District in which applicant is located.)

To Federal Reserve Bank of Chicago
Fiscal Agent and Custodian of
Commodity Credit Corporation

Gentlemen:

Pursuant to the terms and conditions of the official Announcement CHF-2, dated December 7, 1953, of the Commodity Credit Corporation the undersigned hereby applies for \$ _____ face amount of the Certificates of Interest described therein. (see note below)

NOTE: Applications must be in multiples of \$1,000 except that no certificate will be issued for less than \$5,000.

Payment for total amount allotted hereon to be made on or before December 17, 1953, as follows: (Payment by Treasury Tax and Loan credit not permitted.)

- By Charge to our reserve account at the Federal Reserve Bank of _____
(Main Office OR Branch where reserve account is carried)
- By Check in immediately available funds.
- By Charge to reserve account of _____
(Appropriate instructions to correspondent necessary)

Repayments at or before maturity as provided in the official Announcement are authorized to be made by credit to our reserve account (in case of member banks) or by check (in case of nonmember banks).

Certificate to be inscribed and copy thereof mailed to: (Please type or print.)

Name of Bank _____

Street Address _____

City or Town _____

State _____

Official Signature

(A.B.A. No. _____)

**Duplicate—To be forwarded and retained by
Federal Reserve Bank receiving application.**

For Use of Federal Reserve Bank

Allotted \$ _____

Computed by _____

Checked by _____

Date Payment Received _____

APPLICATION FORM AND PAYMENT LETTER
2 1/4% CERTIFICATES OF INTEREST
OF THE COMMODITY CREDIT CORPORATION

Dated December 17, 1953

Due August 2, 1954

Date _____

Application filed through the Federal Reserve Bank or Branch of _____
(To be filed with Federal Reserve Bank or Branch of the District in which applicant is located.)

To Federal Reserve Bank of Chicago
Fiscal Agent and Custodian of
Commodity Credit Corporation

Gentlemen:

Pursuant to the terms and conditions of the official Announcement CHF-2, dated December 7, 1953, of the Commodity Credit Corporation the undersigned hereby applies for \$ _____ face amount of the Certificates of Interest described therein. (see note below)

NOTE: Applications must be in multiples of \$1,000 except that no certificate will be issued for less than \$5,000.

Payment for total amount allotted hereon to be made on or before December 17, 1953, as follows: (Payment by Treasury Tax and Loan credit not permitted.)

- By Charge to our reserve account at the Federal Reserve Bank of _____
(Main Office OR Branch where reserve account is carried)
- By Check in immediately available funds.
- By Charge to reserve account of _____
(Appropriate instructions to correspondent necessary)

Repayments at or before maturity as provided in the official Announcement are authorized to be made by credit to our reserve account (in case of member banks) or by check (in case of nonmember banks).

Certificate to be inscribed and copy thereof mailed to: (Please type or print.)

Name of Bank _____
Street Address _____
City or Town _____
State _____

Official Signature

(A.B.A. No. _____)

Triplicate—To be retained by Purchaser.