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DEPOSITS OF GOVERNMENT FUNDS REALIZED FROM THE SALE OF
 UNITED STATES BONDS AND CERTIFICATES OF DEPOSIT
 UNDER AUTHORITY OF THE ACT APPROVED
 APRIL 24, 1917.

TREASURY DEPARTMENT,

1917.

Office of the Secretary,

Department Circular No. _____

Washington, May _____, 1917.

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 Division of Public Moneys.

To Federal Reserve Banks, National Banks, State Banks and Trust Companies which have been or may be designated as depositaries of funds realized from the sale of bonds and certificates of deposit issued under authority of the Act approved April 24, 1917.

LOCATION AND PURPOSE OF DEPOSITS.

Under authority of the Act approved April 24, 1917, it is proposed to designate as Government depositaries National Banks, State Banks and Trust Companies which are under obligation to pay as much as \$100,000 on June 28th on account of subscriptions to bonds issued under authority of that Act.

In vesting in the Secretary the authority to designate such banks and trust companies as depositaries, Congress intended to provide a means by which bonds and certificates might be paid for without the immediate transfer of large amounts from the vaults of the subscribing banks to the Treasury or to the

Federal Reserve Banks. In conformity with this purpose those banks will be designated which by reason of their own or their customers subscriptions will be under the necessity of paying to the Government a reasonably large proportion of their cash resources.

DESIGNATION OF ACCOUNT.

Each bank designated will be required to open and maintain a separate account to be known as the United States Deposit Liberty Loan Account.

HOW DEPOSITS SHALL BE MADE.

Deposits will be made in this account by the Federal reserve bank of the district in which the depository bank is located, acting as the fiscal agent for the Government.

AMOUNT OF DEPOSIT.

Deposits made in this account can in no case exceed the total amount of subscriptions to bonds made by the depository bank for its own account or for the account of its customers.

COLLATERAL SECURITY ACCEPTED.

As security for such deposits banks receiving same must deposit with the Federal reserve bank of their district United States bonds or certificates of indebtedness of the United States Government of any issue equal at par in amount to at least 25 per cent of the amount of the deposit. Such bonds or certificates will be accepted at par. The remaining 75 per cent may be secured -

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(a) Bonds of the United States Government of any issue, including Treasury certificates of indebtedness, and bonds of the Liberty Loan and interim certificates therefor; and bonds of the Philippine Islands, Porto Rico, and the District of Columbia; all at par;

(b) $3\frac{1}{2}\%$ bonds of the Territory of Hawaii at 90% of par; and other bonds of said territory at market value not exceeding par;

(c) Bonds of the Manila Railroad Company at 90% of market value, not exceeding 90% of par;

(d) Bonds of any State of the United States; bonds issued under the United States Farm Loan Act at par; and dollar bonds and obligations of foreign governments (and of the dependencies thereof) engaged in war against Germany and issued since July 30th, 1914, to be taken at 90% of the market value thereof, not exceeding 90% of par;

(e) County and city bonds which are direct obligations of the County or city as a whole, at 75% of the market value thereof, not exceeding 75% of par;

(f) High grade railroad mortgage bonds secured by direct lien upon lines of railroad within the United States, at 75% of the market value thereof, not exceeding par; but not including any such bonds which shall be selling at a market price to yield more than $5\frac{1}{2}\%$ if hold to maturity according to standard tables of bond values;

(g) by prime commercial paper eligible for rediscount or purchase by Federal reserve banks which has been approved by the Federal reserve bank of the district in which the depository bank is located.

SECURITIES COMMITTEE.

The Secretary of the Treasury will appoint in the manner hereinafter provided committees to be known as Securities Committees in such cities as he may deem necessary in each Federal reserve district. The Securities Committee shall consist of six members, three of whom shall be nominated by the Federal reserve bank of the district, and three shall be members of and shall be nominated by the local Clearing House Association.

CUSTODY OF SECURITY FOR DEPOSITS.

All securities accepted as collateral security for deposits made under authority of the Act of April 24, 1917 must be deposited with the Federal reserve bank of the district in which the depository bank is located, or with a custodian appointed by the Secretary of the Treasury. The Secretary of the Treasury may designate a member or members of the Securities Committee or some bank or trust company as custodian. The custodian so appointed may be required to execute a bond in a penalty to be fixed by the Secretary, and in no case to be less than the face

value of the securities deposited. The condition of this bond shall provide for the safe keeping of such securities and the delivery of the same to the party or parties entitled thereto upon the direction of the Federal reserve bank of the district acting as fiscal agent of the Government. All securities held as collateral security for deposits either by a Federal reserve bank or by a custodian, selected as herein provided, shall be kept under seal in a safe deposit box or safe, separate from all other papers and securities. The safe deposit box or safe used by custodians other than Federal reserve banks shall be located in a fireproof vault or building approved by the Securities Committee, and the seal on the box or package containing securities held by such custodian shall be broken and securities removed only in the presence of a committee of not less than two, to consist of a representative of the custodian designated and a representative of the bonding company.

HOW DEPOSITS ARE TO BE OBTAINED.

Any bank or trust company desiring to be designated as a depository and to receive deposits under the provisions of this circular shall proceed as follows:

(1) It shall make application to the Secretary of the Treasury through the Federal reserve bank of its district for such designation (on Form A, Liberty Loan.)

(2) Five days before any instalment is due on subscriptions to bonds or certificates of indebtedness made by the applying bank for its own account or the account of its customers,

it shall file with the Federal Reserve Bank of its district an application (on Form B, Liberty Loan) for the deposit with it of any part of the instalment about to become due. If the securities offered are approved by the Committee of Directors of the Federal Reserve Bank appointed for that purpose, they shall be deposited with the Federal Reserve Bank or with the custodian appointed by the Secretary and the applying bank shall thereupon be authorized to transfer to the United States Liberty Loan Deposit Account the amount of such instalment upon the date it becomes due and shall hold the same subject to the orders of the Federal Reserve Bank acting as fiscal agent of the Government.

Where the applying bank is located in one of the cities designated by the Federal Reserve Board or where it is nearer to such city than the Federal Reserve City of its district, its application may be filed with the Securities Committee, and shall be transmitted to the Federal Reserve Bank with the recommendation of that Committee.

EXCHANGE OF SECURITIES.

Banks desiring to exchange securities must submit to the Federal Reserve Bank or to the nearest Securities Committee a list of offerings at least _____ days before the maturity

of any securities it desires to withdraw. The list of securities offered in exchange will be handled in the same manner as the list of original offerings. The time necessary to transmit such list to the Federal Reserve Bank should be taken into consideration in submitting all lists of securities, and ample opportunity should be given to obtain the approval of the Federal Reserve Bank.

COLLATERAL MATURING IN CUSTODIAN'S POSSESSION.

Should any note mature while in the possession of the custodian, it should be presented for payment by such custodian or his or its representatives at the bank at which it is payable on the date of maturity, provided such note is payable at the depository bank or some other bank located in the same city. If, however, such note is payable in some other city, the custodian should present it for payment to the depository bank at least five days before maturity, so that the depository bank may have ample time to forward it for collection. All moneys collected by the custodian or by the Federal Reserve Bank for payment of collateral securities held to secure deposits shall be deposited to the credit of the United States with the Federal Reserve Bank and shall be treated as a withdrawal of that much of the funds on deposit with the depository bank.

WITHDRAWAL OF DEPOSITS.

All deposits will be payable on demand and without previous notice, but in order to prevent financial disturbance the Federal Reserve Bank will, wherever it is possible, give reasonable notice in advance

of contemplated withdrawals. Upon withdrawal of funds by the Federal Reserve Bank a proportionate amount of collateral security will be surrendered to the depositary bank. Paper having the earliest maturity will be surrendered in such cases, unless in the opinion of the Secretary a variation of this rule should be made. The Secretary reserves the right to call for additional security at any time when in his opinion it may be desirable. Eligible commercial paper held by a Federal Reserve Bank or by a custodian as security for deposits may be tendered for rediscount by direction of a depositary member bank to the Federal Reserve Bank in order to meet demands made for payment of such deposits. Such paper shall in all cases bear the endorsement of the depositary bank.

Any securities held by a Federal Reserve Bank or custodian as collateral security for deposits may also be tendered to the Federal Reserve Bank, by direction of the member bank as collateral security for loans evidenced by the 15-day note of the member bank provided the proceeds of such loans are to be used to pay deposits held by the depositary bank which secures the loan from the Federal Reserve Bank.

INTEREST AND EXPENSES OF DEPOSITS.

The depositary bank will be required to pay two per cent interest on the average balance maintained during the period of the deposit and must in addition pay such expenses as are incident to

such deposit- that is to say , all expressage or transportation charges, premium or custodian's bond , cost of custody, if any, telegraph and telephone tolls, and any other expense growing out of or incident to such deposit.

May 16, 1917