

F E D E R A L R E S E R V E B A N K S

as

F I S C A L A G E N T S

of the

U N I T E D S T A T E S

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Suggested form of Circular embodying instructions heretofore sent out together with certain new matter. Arranged according to subject matter and indexed for convenience of fiscal agents.

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Office of
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Federal Reserve Board.

FEDERAL RESERVE BANKS AS FISCAL AGENTS
OF THE UNITED STATES

For the convenience of the fiscal agent and in answer to inquiries received, it is deemed advisable to analyze the services that the Federal reserve banks are called upon to perform as fiscal agents, and to explain in some detail the method of procedure to be followed. This necessarily involves some repetition of instructions heretofore issued but it will no doubt prove a convenience to the fiscal agents to have the general details embodied in one circular.

THE ACT OF APRIL 24, 1917.

The Act of April 24, 1917, provides among other things -

- (a) For the issuance and sale of short-term Treasury certificates of indebtedness bearing interest at not to exceed three and one-half per cent to an amount not to exceed two billion dollars
- (b) For the issuance and sale of United States bonds bearing interest at not to exceed three and one-half per cent to an amount not to exceed five billion dollars.
- (c) For the designation as Government depositaries of State banks and trust companies which subscribe to such bonds of certificates and for the deposit in such depositaries of amounts not to exceed the amount withdrawn from such banks or trust companies and invested in such bonds and certificates of indebtedness plus the amount so invested by the designated bank or trust company.

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TREASURY CERTIFICATES OF INDEBTEDNESS.

The Secretary has already issued and sold Treasury certificates of indebtedness to the extent of approximately \$700,000,000. The proceeds have been paid into the general fund of the Treasury and have been or are being disbursed. These certificates are held primarily by banks and trust companies which will in all probability subscribe to Liberty Loan bonds, and the certificates will no doubt be used to a great extent to pay, in whole or in part, the purchase price of such bonds.

LIBERTY BONDS.

The Secretary is now offering to the public an issue of \$2,000,000,000 in three and one-half per cent United States bonds, popularly known as Liberty bonds. These bonds must be disposed of without commission to any underwriting syndicate, and in order to market them the twelve Federal reserve banks have been appointed fiscal agents of the Government.

FISCAL AGENTS.

The Act provides, in terms, that these bonds "shall be offered at not less than par as a popular loan under such regulations prescribed by the Secretary of the Treasury as will give all citizens of the United States an equal opportunity to participate therein * * * but no commissions shall be allowed or paid on any bonds issued under authority of this Act." As it is manifestly impracticable for the twelve Federal reserve banks to receive directly all subscriptions applied for by the public, it is necessary to employ the services of agencies for this purpose.

National banks, State banks, trust companies, and other corporations and associations in large numbers have offered to assist the Government in selling these bonds, and the tender of their services has been accepted by the Secretary. For convenience, these associations and corporations will be referred to as sub-agents. Federal reserve banks acting as fiscal agents will be referred to as fiscal agents.

SUB-AGENTS.

Sub-agents are authorized to receive applications from the public and to file them with the fiscal agent either in the name of the original subscriber or in the name of the sub-agent. While for convenience such associations are referred to as sub-agents, it is obvious that when they apply to a fiscal agent for an allotment of bonds they must act as the agent of the subscriber until the subscription is accepted and the allotment is made. Funds delivered to any sub-agent by a subscriber remain the funds of the subscriber until the fiscal agent accepts them in payment or part payment of bonds subscribed for and allotted.

On the other hand, when funds are received by the fiscal agent or by the Treasurer of the United States, they are deposited in a government depository by the direction of the Secretary and the United States becomes liable therefor. If such funds are received by a fiscal agent or by the Treasurer of the United States prior to allotment they are held in trust until the allotment is made when they are credited as a payment on subscription

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in which case they become the property of the United States and a part of the Treasurer's balance in the general fund.

In considering the several steps involved in the subscription and sale of bonds, it is important to bear these distinctions in mind,

DUTIES OF FISCAL AGENTS.

The duties which each fiscal agent will be called upon to perform in connection with the sale of Liberty bonds may be briefly summarized as follows:

- (1) To receive and carefully record in subscription books opened for that purpose all applications from subscribers in its Federal reserve district.
- (2) To allot to each subscriber such proportion of the amount applied for as the Secretary may direct and to execute and deliver notices of such allotments.
- (3) Upon payment in full of subscription to deliver, after allotment, interim receipts exchangeable for Liberty bonds, when such bonds are ready for delivery.
- (4) Upon payment of installment due June 28th, to issue interim receipts for bonds in exchange for notices of allotments.
- (5) To collect all installments as they severally become due and to deposit proceeds in the Federal reserve bank or other Government depositories under direction of the Secretary. The interim receipt must accompany all payments made subsequent to its issue.
- (6) To make delivery of Liberty bonds in exchange for interim receipts representing payments in full of subscriptions.

BOOKS AND ACCOUNTS OF FISCAL AGENTS.

It will be necessary for each Federal reserve bank to open and maintain a separate set of books and accounts in its capacity as fiscal agent.

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It should be borne in mind that in performing the services of fiscal agent each bank is acting in a representative capacity as an agent for the United States Government. Transactions between the United States and its fiscal agent should not, therefore, be confused with transactions between the United States and the Federal reserve bank, acting as a Government depositary..

The fiscal agent, for example, should open an account with each subscriber to Liberty Bonds in its district and an account with the Treasurer of the United States. The Federal reserve bank, as a bank, will receive no deposits from subscribers as such but funds paid by subscribers to the fiscal agent will be credited to the subscribers account and deposited by the fiscal agent in the Federal reserve bank to the account of the Treasurer of the United States. In such case the account of the Treasurer will be charged by the fiscal agent with the amount of deposit and the account of the Treasurer will be credited by the Federal reserve bank with the same amount.

A general balance sheet showing accounts to be maintained by the fiscal agent appears as an exhibit on page _____ of this circular.

APPLICATIONS FOR SUBSCRIPTIONS.

Applications for subscriptions may be received

- (a) through the Treasurer of the United States;
- (b) through sub-agents;
- (c) from subscribers direct.

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(a) Applications received by the Treasurer will be transmitted to the fiscal agent of the district from which the application is received. The original application will in each case be transmitted and all such applications should be treated as if filed directly with the fiscal agent.

(b) All applications received by sub-agents may be consolidated and included in one application filed by the sub-agent. In such case the sub-agent should keep an accurate record of all applications received by him and should be prepared upon request of the fiscal agent to furnish any details desired, including the names and addresses of subscribers, the amount and denomination of bonds applied for, and the amount tendered with each application. Unless the fiscal agent should call for the names of subscribers the application may show merely the number and amount of the several subscriptions and particularly the number of subscribers which have applied for one bond of the denomination of \$50 or of \$100.

(c) Applications received direct should be recorded in the name of the subscriber.

ALLOTMENTS.

The subscription books of each fiscal agent should be closed at _____ o'clock on June 15th. Applications received

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after this time should be returned to the subscriber after allotments have been made. As soon as practicable after the books are closed each fiscal agent should report to the Secretary by wire the total amount of subscriptions, applied for and the number and amount of the several subscriptions, e. g. 1,000 of \$5,000, 1,000 of \$1,000, 1,000 of \$500. This report should show specifically the number of individual subscribers applying for one \$50 bond and the number of such subscribers applying for one \$100 bond. This report should be promptly confirmed by letter. Upon receipt of this information the Secretary will give full directions as to allotments to be made.

As soon as this information has been received from the Secretary each applicant should be sent a notice of allotment. This notice should show (a) the amount of bonds allotted to subscribers, (b) the date and amount of installments to become due, (c) how payments may be made and should contain a statement to the effect that the notice must be exchanged for an interim receipt when the installment due on June 28 is paid.

INTERIM RECEIPTS.

Upon payment of installment due on June 28, the fiscal agent must deliver in exchange for the notice of allotment sent to each subscriber an interim receipt. This receipt will bear the engraved signature of the Secretary and must be countersigned by a duly authorized officer on behalf of the fiscal agent. It should show (a) the amount of bonds to which the subscriber will become entitled upon payment in full of subscrip-

tion price; (b) amount paid by the subscriber to date of issue; (c) the date of maturity and amount of future instalments; (d) the rate of interest and date from which such interest runs, and should contain a statement to the effect that upon payment of last instalment the receipt may be exchanged for Liberty Bonds. Where subscription is paid in full after allotment interim receipts, exchangeable for Liberty Bonds, when such bonds are ready for delivery, should be issued on form approved for that purpose. All interim receipts will be issued in negotiable form payable to bearer unless the Secretary deems a variation of this rule necessary.

WHEN PAYMENTS BECOME DUE.

Individual subscriptions for one bond of the denomination of \$50, or of \$100. An individual subscriber to one bond of the denomination of \$50 or of \$100, may, at his option, make payment in full at the time that his application is filed. When such payments are received by the Treasurer at Washington, or by the fiscal agent, a non-negotiable receipt may be issued therefor exchangeable for a Liberty Bond by the fiscal agent. It will not be necessary in such case to issue any other notice of allotment or any interim receipt. When such payments are made to sub-agents, the sub-agent may, at its option, transmit them direct to the fiscal agent and procure non-negotiable receipts in its own name or in the name of the subscriber, or it may include such subscriptions in its own application. If such subscriptions are included in its own application it must pay for and deliver to the subscriber the bond applied for as soon as such bonds are ready for

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delivery by the fiscal agent.

OTHER SUBSCRIPTIONS.

All other subscriptions shall be payable as follows:

Two per centum on date application is filed with
the fiscal agent.

Eighteen per centum on June 28, 1917.

Twenty per centum on July 30, 1917.

Thirty per centum on August 15, 1917.

Thirty per centum on August 30, 1917.

Individual subscribers to one bond of the denomination of \$50, or \$100, may make payments in foregoing instalments at the option of the subscriber.

ANTICIPATED PAYMENTS.

On or after allotment subscribers at their option may, make payment in full at any time before August 30, 1917, and without previous notice, provided, the allotment does not exceed \$10,000 or payment is to be made in Treasury certificates of indebtedness. When the allotment exceeds \$10,000 and payment is not made in Treasury certificates of indebtedness, the subscriber must file written notice with the fiscal agent not less than two weeks in advance of payment specifying the date upon which payment is to be made.

HOW PAYMENTS SHOULD BE MADE.

Payments should be made to the fiscal agent by subscribers located in the Federal reserve district served by such fiscal agent. Subscribers who have filed subscriptions with the Treasurer at Washington may, however, at their option make payments to the

Treasurer.

WHAT MAY BE RECEIVED IN PAYMENT.

Fiscal agents may receive in payment of subscriptions

(a) Cash - i. e. gold, gold certificates, legal tender notes of the United States, silver, silver certificates, national bank notes, Federal reserve notes and Federal reserve bank notes.

(b) Treasury certificates of indebtedness issued under authority of the Act approved April 24, 1917, will be accepted at par in payment of the two per cent instalment required when application is filed. Where such certificates are presented to the fiscal agent in payment of bond subscriptions prior to June 15th, accrued interest to June 15th should be paid to the subscriber by cashier's check drawn by the Federal reserve bank after allotments have been made. Pending allotment such certificates of indebtedness should be kept by the fiscal agent in the safe-keeping or custody department of the bank, separate and apart from the assets of the bank but subject to the same system of control.

After allotments have been made the fiscal agent should deliver such certificates to the Federal reserve bank crediting the subscriber's account with the face value thereof. The Federal reserve bank should thereupon credit the account of the Treasurer in the Treasurer's general balance with the face value of the certificate and should charge the account by a like amount, forwarding the certificate to the Treasurer

as a warrant for credit at face value plus accrued interest theretofore paid by cashier's check.

Certificates of indebtedness should also be received by the fiscal agent in payment of subsequent instalments. In such case they should be accepted as equivalent to cash payments at par plus accrued interest computed to date of payment, and should be deposited in the Federal reserve bank and treated in the same manner as a Treasury warrant except that the Treasurer's balance in the Federal reserve bank should be first credited as if cash had been deposited and should be immediately charged as if the cash deposited had been used to pay the certificates of indebtedness and accrued interest.

(c) Bank drafts, checks, postoffice money order or express company money order. All checks received must be certified. When items received are payable in the Federal reserve city of the fiscal agent they should be immediately collected and placed to the credit of the subscriber. When drawn against other Federal reserve banks they should be collected through the Gold Settlement Fund and credited to the subscriber. When payable elsewhere than in the Federal reserve city of the fiscal agent, they should be accepted for collection only and credit should be given the subscriber only after actual collection and for

the amount actually collected. All exchange and collection charges must be borne by the subscriber.

(d) Certificates of advice issued by a designated Government depository on Treasury Form No. 1, under authority of Treasury Circular No. 79, as supplemented by Circular No. 81. Such certificates may be accepted only when tendered by the issuing bank in payment of subscriptions filed by it for its own account or for the account of its depositors. Payments of subscriptions filed with the Treasurer at Washington may be made to the Treasury in the same manner.

DISPOSITION OF PAYMENTS MADE TO FISCAL AGENTS.

(a) All cash received, including the proceeds of all items collected by the fiscal agent, should first be credited on the books of the fiscal agent to the account of the subscriber making payments and should be charged to the account of cash. Such cash should immediately be deposited in the Federal reserve bank to the credit of the United States in the Liberty Loan Bond Account. The cash account will thereupon be credited on the books of the fiscal agent and the account of the Treasurer charged with the amount of such deposit.

(b) Certificates of indebtedness received in payment should be credited to the account of the subscriber and charged to the account of the Treasurer of the United States. Such certificates may be treated in the same manner as Treasury warrants and forwarded to the Treasurer for credit to the account of the fiscal agent. The Treasurer will treat such certificates as if they had been paid in cash to

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the fiscal agent and the cash had been withdrawn by Treasury warrants to pay the maturing certificates of indebtedness. Where interest is paid by the Federal reserve bank to June 15th on certificates of indebtedness as hereinbefore provided, such certificates will be accepted by the Treasurer as Treasury warrants at par and accrued interest to June 15th.

(c) Where certificates of deposit on Form 1 are received in payment as hereinbefore provided, the subscriber should be credited on the books of the fiscal agent and the Treasurer of the United States charged with the corresponding amount. In such case no entry will appear on the books of the Federal reserve bank.

INTEREST COMPUTATIONS.

Liberty Bonds and interim receipts issued when subscriptions have been paid in full will in terms bear interest from June 15, 1917, at three and one-half per cent on the principal amount of such bonds or receipts.

In all cases where payment in full is made after June 15, 1917, it will, therefore, be necessary to make interest adjustments. In making such adjustments the fiscal agent should proceed as follows :

Charge subscriber with interest at three and one-half per cent on face amount of bond or interim receipt from June 15, 1917, to date that payment is made in full.

Credit subscriber with interest at same rate on pay-

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ments made on or before June 15th from that date to date of full payment. If instalment payments have been made after June 15th, credit subscriber at same rate on each instalment from due date of instalment to date of full payment if instalments were paid on or before due date. If instalments were paid and accepted after due date, credit subscriber with interest at same rate from date of deferred payment to date of full payment.

Certificates of indebtedness tendered in payment on or before June 15th should be credited to subscriber at face amount and the interest paid to June 15th by the fiscal agent as hereinbefore provided. Certificates of indebtedness tendered in payment after June 15th should be credited to subscriber at face amount and accrued interest to date of payment.

A table of interest computations prepared by this office, which should be used by fiscal agents in making interest computations, appears on page _____ of this circular.

MATURING CERTIFICATES OF INDEBTEDNESS NOT
PRESENTED IN PAYMENT OR PART PAYMENT OF LIBERTY BONDS.

Certificates of indebtedness issued under authority of the Act of April 24, 1917, may be presented at maturity to the Treasurer of the United States or to any Federal reserve bank for payment. When presented to a Federal reserve bank, they should be

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treated as Treasury warrants and paid with interest accrued to date of maturity and charged to the general balance of the Treasurer of the United States.

GENERAL

Instructions issued by the Treasurer to Government depositories designated under the Act of April 24, 1917, to transmit funds to the Federal reserve banks will, whenever, practicable, be transmitted through the fiscal agent.

Collections made by the Treasurer will be charged to the Treasurer's balance in the general fund and credit will be given to the Federal reserve bank of the district from which such payments were received. The Federal reserve bank will be authorized to charge the Treasurer's general balance with the amount collected and to credit the Liberty Loan Account.

In any case in which the Treasurer receives in payment of subscription items which would ordinarily be sent through the Federal reserve bank for collection, such items will be forwarded to the Federal reserve bank with instructions to collect and to credit the Liberty Loan Account with the proceeds.

Form of notice of allotment and of interim receipts to be issued in case of full payment of subscriptions, as well as form to be used where payments are made in instalments, will appear on pages ____ and ____ of this circular.

Secretary of the Treasury.