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FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

DIVISION OF REPORTS AND STATISTICS

MJ/JCO

April 6, 1918

X-871A

Dear Sir:

The "War Finance Corporation" Act which was signed by the President on April 5, provides among others that no stamp or tax shall be required or imposed upon a promissory note secured by bonds or obligations of the United States issued since April 24, 1917, or secured by the pledge of a promissory note which itself is secured by the pledge of such bonds or obligations: Provided, That in either case the par value of such bonds or obligations shall equal the amount of such note.

In view of the above change in law it will no longer be necessary to affix revenue stamps to member banks' collateral notes secured by Liberty Loan bonds or U. S. Certificates of Indebtedness.

It is suggested, therefore, that the practice of purchasing Liberty Bonds and Certificates of Indebtedness under so-called repurchase agreements be discontinued and that such borrowing by member banks be made on their own promissory notes secured by such bonds and certificates.

Paragraphs 1 and 2 of our letter X-795 of March 12 may also be disregarded and the new code words on form 34 "BUCK" and "BOON" may be eliminated as soon as the bonds and certificates now held under repurchase agreements mature. Future borrowings secured by War obligations should be reported on schedules of "Bills discounted--members" - BD 4 and against memorandum items "MAZE" and "MIST" on Form 34 as member banks' collateral notes or customers' paper secured by Liberty bonds and certificates of indebtedness. Discounts of commercial paper taken under repurchase agreement may be reported as heretofore in accordance with instructions found in the last paragraph of our mimeograph letter X-795 of March 12.

Very truly yours,

Secretary.

Federal Reserve Agent,