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ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

May 20, 1919.

X-1541

Subject: Revision of Weekly Member Bank Condition  
Statement to Provide for Classification  
of Victory Notes.

Dear Sir:

With the view of enabling the Board to follow more closely changes in member bank holdings of Victory notes, may we request that you instruct all banks submitting weekly condition reports (form 51-A) to report separately, beginning with the report for June 6, their net investments in United States Victory notes.

There are forwarded herewith 75 copies of form St. 51 (revised) for the use of your bank in submitting your consolidated report to the Board. The only important changes in the form are the addition of new item "U.S. Victory Notes" to follow item 2, and the substitution of the caption "Loans secured by U.S. Government war obligations" for "Loans secured by Liberty bonds and certificates" as shown against item 5 of the old form.

Form 51-A should be changed in the same manner as indicated in form St. 51, and in addition the explanation following item 5 should be modified so as to read "All loans carried by bank for which borrower has pledged Liberty bonds, Victory notes or Treasury certificates as security (exclusive of paper under rediscount)". In case a new supply of form 51-A is ordered by your bank care should be exercised to see that the changes made in the form forwarded with our letter dated April 1 (St. 302), relative

to the method of figuring net demand deposits, are incorporated in the revised edition.

In this connection please be sure to instruct your member banks that in reporting their holdings of U.S. war securities they should include their net investments only in such securities. For example, if bank "A" buys Liberty bonds or Victory notes on the Government plan for the purpose of selling such bonds or notes to its customers, the bank should report as its holdings of Liberty bonds or Victory notes the excess of the amounts paid to the Government over the amounts of installment payments received from individual subscribers, viz., if bank "A" has paid the Government one million dollars, and individuals or corporations purchasing bonds or notes from it on the installment plan have paid installments amounting to \$400,000, the bank should report merely its net investment in such securities as \$600,000. In case individual subscribers purchasing bonds or notes on the installment plan have paid the reporting bank an amount in excess of that which it has invested in such bonds or notes, such excess should be reported among the demand deposits of the reporting bank for the reason that such amounts represent obligations of the bank to purchase and deliver bonds to the individuals or corporations subscribing through it.

Yours very truly,

Secretary.