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FEDERAL RESERVE BOARD
WASHINGTON

December 8, 1921.
X-3264

CONFIDENTIAL

SUBJECT: Payment of Franchise Taxes for 1921 in Victory Notes

Dear Sir:

At a meeting of a sub-committee of the Governors, held in New York on November 30th last, a plan was discussed whereby each Federal Reserve Bank should invest in Victory notes up to the estimated amount of its franchise tax payment due December 31st, 1921, at not above par, with the understanding that the Treasury would take over from the banks at the end of the year such notes as they had purchased at the market price (not exceeding par), plus commissions and accrued interest to the date of their being taken over by the Treasury. The Under Secretary of the Treasury, who was at the meeting, stated that such a plan would meet with the approval of the Treasury, and they would retire and cancel the notes so obtained in the same manner as those now purchased for the Sinking Fund. The Governors of the sub-committee further suggested that for obvious reasons it might be better to have the buying for all the Federal Reserve Banks centered in New York.

This matter was brought up for consideration at the meeting of the Federal Reserve Board yesterday and it was the sense of the Board that the plan suggested was proper and desirable and the Board suggests that if your bank desires to participate that you instruct the Federal Reserve Bank of New York to make the purchases, charge your account, hold the notes for you and send their trust receipt in the same manner that they have previously done when making purchases for other Federal Reserve Banks.

Very truly yours,

G o v e r n o r .

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