

FEDERAL RESERVE BOARD
WASHINGTON

125

X-3320
February 4, 1922.

SUBJECT: Discount and Premium on United States Securities.

Dear Sir:

Reports received by the Board during the past few weeks indicate that considerable amounts of Victory Notes are being purchased by certain of the Federal Reserve Banks at a premium.

In order that the amount and annual rate of earnings on United States securities may be correctly stated, i.e., based on cost price, it is requested that premium paid, if any, on United States securities purchased by your Bank be set up in a separate account, and that such premium account be credited and the bank's earnings on United States securities debited with the proper amortization charge either daily or at the end of each month. Likewise, should the bank purchase United States securities at a discount, the amount of the discount should be set up in a special account, "Discount on U. S. securities", which account should be charged and the Bank's earnings on United States securities credited with the appropriate amortization charge either daily or as of the last day of each month.

On balance sheet, Form 34, the discount or premium accounts may be combined and shown against the caption "Discount and premium on U. S. securities", code BIND. The amount of such discount or premium should, of course, be treated as a deduction from or addition to the par value of earning assets in order to obtain the "liquid value of earning assets" to be reported on daily balance sheet, Form 34.

Very truly yours,

G o v e r n o r .

Letter to all Agents.