

TREASURY DEPARTMENT

Fiscal Assistant Secretary

May 23, 1951

To Secretary Snyder:

There is attached a copy of a telegram which I have sent to the Presidents of all Federal Reserve Banks.

In view of the potential magnitude of these cases (one case in New York involving \$715 million has already been reported to us), I see no alternative but to take this special action.



E. F. Bartelt

Attachment.

TREASURY DEPARTMENT

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM	ROOM 3452
BUREAU	OFFICE OF FISCAL ASST. SECRETARY
CHG. APPROPRIATION	MISCELLANEOUS EXPENSES

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File
FR 13

PERSONAL

To Presidents, Federal Reserve Banks:

Boston, Mass.	Chicago, Ill.
New York, N. Y.	St. Louis, Mo.
Philadelphia, Pa.	Minneapolis, Minn.
Cleveland, Ohio	Kansas City, Mo.
Richmond, Va.	Dallas, Texas
Atlanta, Ga.	San Francisco, Calif.

It has come to Treasury's attention that some large holders of Treasury Savings notes will redeem their old notes for cash on June 1st and subscribe on that date to the new notes through their commercial bank depositaries which will undoubtedly make payment through Treasury Tax and Loan Accounts.

This practice will require Treasury to make substantial withdrawals from depositaries to meet redemptions while new deposits from sales of notes will be concentrated in relatively few depositaries. This may operate to cause strain on money market which should be avoided from standpoint of Treasury and Federal Reserve System, especially as refunding operation may be in process early in June.

Accordingly, if any individual operation of this character involving \$5,000,000 or more comes to your attention, please contact banks involved and ask them to have owners of the notes conduct transaction direct with your Bank as cash redemption offset by cash sale in Treasury accounts. If bank is uncooperative please contact owner as fiscal agent of Treasury and ask for cooperation in interest of overall effect on money market. In cases where substantial cash redemptions are made and funds go to depositaries which take credit in Treasury Tax and Loan Accounts for corresponding sales Treasury will immediately call funds from such individual depositaries at earliest possible date after June 1st. In your contacts with depositaries involved in these transactions they may be notified of this proposed action in their cases.

Please advise me by telegram of any cases coming to your attention, the amounts involved and results of your action in each case.

(Initialed) E. F. B.
BARTELT