

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, May 14, 1942

TREASURY BILLS

To All Banking Institutions, and Others Concerned,
in the Eleventh Federal Reserve District:

There is enclosed a copy of this bank's circular containing notice of an offering of Treasury bills to be dated May 20, 1942, and maturing on August 19, 1942. The current offering of \$250,000,000 compares with offerings of \$150,000,000 in other recent weeks, and is in accord with the announcement of the Secretary of the Treasury on April 30, 1942, that beginning with the issue dated May 13 and continuing for several weeks, the offerings of Treasury bills would be increased to \$250,000,000 weekly.

As an added means of assuring the liquidity of investments in Treasury bills, aside from the short maturity and ready marketability of the securities, and to further encourage their purchase by banks and other investors throughout the country, the Federal Open Market Committee directed the Federal Reserve banks to purchase for the System Open Market Account all Treasury bills offered to them on a discount basis at a rate of $\frac{3}{8}$ per cent per annum.

In recent years, the yield on Treasury bills has been so low that such securities have been unattractive to most banks, corporations and other investors which have had large amounts of funds available for temporary investment. During the past few months, however, the yield on Treasury bills has risen gradually and now that the supply of such bills is being increased, commercial banks, as well as many other investors, will have an opportunity to employ an additional amount of their temporarily idle funds, with the assurance that some earnings will be derived therefrom and that such investments may be readily converted into cash whenever the funds are needed. At the present time, excess reserves of member banks are unevenly distributed as between Federal Reserve districts and among member banks in each Federal Reserve district. Member banks with large excess reserves, by utilizing them to purchase Treasury bills, in addition to deriving some earnings, can promote a wider distribution of such securities, facilitate the shifting of reserves from places where there are large surpluses to points where additional reserves are needed, provide themselves with a most satisfactory means of making adjustments in their reserve positions and contribute significantly to the financing of the war effort.

This bank will be glad to furnish upon request additional information about weekly offerings of Treasury bills and the submission of bids for them.

Yours very truly,

R. R. GILBERT

President

