

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, November 18, 1958

PRELIMINARY ANNOUNCEMENT EXCHANGE OFFERING

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

There is quoted below a press statement issued today by the Treasury Department in regard to the new exchange offering:

"The Treasury Department announced today two further steps in its program to achieve a more orderly scheduling of its short-term debt maturities.

"The first of these steps is the offering to holders of \$9,853 million of $3\frac{3}{4}$ percent certificates of indebtedness maturing December 1, 1958, and the holders of \$2,368 million of $2\frac{1}{2}$ percent Treasury bonds maturing December 15, 1958, the opportunity to exchange these holdings for either of two new issues: a $3\frac{3}{8}$ percent, $11\frac{1}{2}$ month certificate due November 15, 1959, to be issued at a price of 99.95 percent of face value, to yield 3.43 percent, or a $3\frac{5}{8}$ percent, 2-year $5\frac{1}{2}$ month note due May 15, 1961, to be issued at a price of $99\frac{7}{8}$ percent of face value, to yield 3.68 percent.

"With the completion of this financing, over 80 percent of outstanding Treasury marketable securities maturing within the next ten years (excluding regular Treasury bills and tax anticipation securities) will fall due in February, May, August, or November.

"For some time, the Treasury has been working toward scheduling its maturities on these quarterly dates to reduce the number of times each year its financing will interfere with other borrowers such as corporations, States, municipalities, etc.; to minimize the "churning" in the money markets on the major quarterly corporate income tax dates; and facilitate the effective execution by the Federal Reserve of its monetary policy. In addition, the present offering also works in the direction of a more even distribution of the amounts of certificates maturing on each of the four quarterly dates.

"Another important debt management objective, from the standpoint of marketing techniques, is to place on a routine basis, so far as practicable, the roll-over of the Treasury debt maturing within one year. The amount outstanding at a given time will tend to vary considerably, depending on the liquidity needs of the economy and on the ability of the Treasury to extend the debt. The composition of the short-term debt, however, influences to a degree the amount of market disturbance occasioned by refinancing, and also affects Treasury borrowing costs.

"As the second step in its program to achieve a better composition of the short-term debt, the Treasury also announced that it plans a re-arrangement of the structure of its weekly bill maturities. Accordingly, on December 11, 1958, the Treasury will inaugurate a program to move gradually over the next 6 months from the present cycle of 13-week bills (\$23.4 billion total) to a new cycle which will include both 13-week and 26-week bills (\$26.0 billion total). Full details of the program will be announced during the week preceding the offering.

"The shift of part of the volume of Treasury bills outstanding to a 26-week cycle will enable certain corporations and other investors to meet their requirements for a regular bill which is longer than the present 13-week maturity. In the course of the transition to the new cycle of Treasury bills, a total of \$2.6 billion of new money will be raised during the next three months, thus meeting more than half of the Treasury's anticipated cash borrowing needs of \$4 - \$4½ billion through March 1959. Increases in the amount of outstanding bills under this program, together with continuing efforts to extend the debt, should permit a reduction in Treasury certificates of indebtedness outstanding over the period ahead, so that the over-all volume of short-term debt would not be increased.

"Both the new 3¾ percent certificate and the new 3⅝ percent note will be dated December 1, 1958.

"Interest will be payable on the new certificates on a semiannual basis on May 15 and November 15, 1959. Interest on the new notes will be payable on a semiannual basis on May 15 and November 15, in each year.

"Exchanges will be made as of December 1, 1958, and in the case of the maturing bonds with an adjustment of interest as of that date. Coupons dated December 1, 1958, should be detached from the maturing certificates and cashed when due. In the case of the bonds, coupons dated December 15, 1958, must be attached to the bonds when surrendered and accrued interest from June 15, 1958, to December 1, 1958, will be paid following acceptance of the bonds. A payment of \$.50 per \$1,000 face value of the new certificates, and \$1.25 per \$1,000 face value of the new notes representing the discount from the face values will be paid to holders upon issuance of the new securities.

"The subscription books will be open November 19 through November 21 for this exchange offering. Any subscription for either issue addressed to a Federal Reserve Bank or Branch, or to the Treasurer of the United States, and placed in the mail before midnight Friday, November 21, will be considered as timely."

Official circulars and subscription forms for the exchange offering will be mailed as soon as possible. However, if the circulars and forms are not received by Friday, November 21, subscriptions may be entered by mail, telegraph or telephone, subject to confirmation with official subscription blanks.

Yours very truly,

Watrous H. Irons

President