

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, January 8, 1959

PRELIMINARY ANNOUNCEMENT CASH 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 a new cash offering:

"The Treasury Department announced today that on Monday, January 12, it will offer for cash subscription \$750 million, or thereabouts, of 4 percent Treasury Bonds of 1980, to be dated January 23, 1959, and to mature February 15, 1980. The bonds will be issued at a price of 99 percent of face value, to yield about 4.07 percent. In addition, there will be offered \$2½ billion, or thereabouts, of 16-month Treasury Notes bearing interest at the rate of 3¼ percent, and to be issued at a price of 99¾ percent of face value, to yield about 3.45 percent. The notes will be dated January 21, 1959, and will mature May 15, 1960.

"The decision to raise \$3¼ billion at this time rather than the \$2 billion, or thereabouts, which had been previously indicated as necessary to complete the cash requirements for the first quarter, reflects a desire to meet approximately \$1 billion more of the first quarter's financing needs through the offering of a larger amount of the 16-month Treasury Notes rather than through additions of \$200 million per week to the amount of Treasury Bills outstanding. It is presently contemplated that the 26-week bill cycle will be continued at \$400 million per week but that the amount of 13-week bills offered each week will be varied according to needs. The net result of this will be that the total cash expected to be raised in the first quarter is estimated to be only about \$250 million above what had previously been indicated. This operation gives the Treasury more flexibility in meeting its requirements in the months ahead.

"The offering of the 4 percent bond is designed primarily to meet the investment needs of savings-type investors, such as pension and retirement funds, insurance companies, savings banks, and other savings institutions. To encourage subscriptions from such sources, they will be permitted to pay for bonds allotted to them in installments up to April 23 (not less than 25 percent by January 23, the issue date; 50 percent by February 24; 75 percent by March 23; and full payment by April 23). Amounts allotted to other classes of subscribers must be paid for in full on January 23. All subscriptions except from commercial banks for their own account and except from States, political subdivisions or instrumentalities thereof and public funds must be accompanied by a cash down payment of 15 percent at the time of subscription. Commercial bank subscriptions will be limited to an amount not exceeding 4 percent of the combined amount of time certificates of deposit (but only those issued in the names of individuals, and of corporations, associations, and other organizations not operated for profit) and of savings deposits, or 10 percent of the combined capital, surplus and undivided profits, whichever is greater. In addition to the amount offered for public subscription, the Secretary of the Treasury may allocate up to \$75,000,000 of these bonds to Government Investment Accounts. Subscription books for this issue will be open on January 12 and January 13.

"In order to encourage wide distribution of the 4 percent bonds of 1980, subscriptions up to a maximum of \$25,000 if they are accompanied by 100 percent payment at the time the subscriptions are entered will be allotted in full to all subscribers.

"The Secretary of the Treasury reserves the right to reject or reduce any subscription, to allot less than the amount of bonds applied for, and to make different percentage allotments to various classes of subscribers.

"Savings-type investors who may subscribe to the 4 percent bonds on a deferred payment basis are:

- Pension and Retirement Funds—public and private
- Endowment Funds
- Insurance Companies
- Mutual Savings Banks
- Fraternal Benefit Associations and Labor Unions' insurance funds
- Savings and Loan Associations
- Credit Unions
- Other Savings Organizations (not including commercial banks)
- States, Political Subdivisions or Instrumentalities thereof, and Public Funds.

"Where subscribers in this group (except States, political subdivisions or instrumentalities thereof, and public pension and retirement and other public funds) elect to pay for such bonds in installments, delivery of 5 percent of the total par amount allotted will be withheld until payment for the total amount allotted has been completed.

"The offering of \$2½ billion of 3¼ percent Treasury Notes will be open only on January 12. A cash down-payment of 2 percent will be required from nonbank subscribers to this offering. Subscriptions from commercial banks to the notes will be limited in each case to an amount not exceeding 50 percent of the combined capital, surplus and undivided profits of the subscribing bank.

"Commercial banks and other lenders are requested to refrain from making unsecured loans, or loans collateralized in whole or in part by the bonds or notes subscribed for, to cover the deposits required to be paid when subscriptions are entered, and banks will be required to make the usual certification to that effect.

"All subscribers to the bonds or the notes are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of these issues, until after January 12 in the case of the notes and after January 13 in the case of the bonds.

"Any subscriptions 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 of the respective closing dates will be considered as timely.

"The new bonds and notes may be paid for by credit in Treasury Tax and Loan accounts."

The books for the receipt of the subscriptions to the bonds will be open on *Monday and Tuesday, January 12 and 13*. The books for the receipt of subscriptions to the notes will be open on *Monday, January 12, for one day only*. Subscriptions will be received at this bank and its branches at El Paso, Houston and San Antonio.

Official circulars and subscription forms for the cash offering will be mailed as soon as possible. However, if the circulars and forms are not received by Monday, January 12, subscriptions may be entered by mail, telegraph or telephone, subject to confirmation with official subscription blanks.

Yours very truly,

Watrous H. Irons

President