

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

DALLAS, TEXAS 75222

Circular No. 72-276  
December 1, 1972

To All Banking Institutions in the Eleventh  
Federal Reserve District:

The attached information represents a revision of Treasury Department Circular No. 3-72 (distributed originally on June 19, 1972) and pertains to State and Local Government Series Securities. This revision results from two changes:

- (1) the subscriber may select an issue and payment date later than the date of the subscription, but not more than three weeks later, and
- (2) the securities will now be available in the form of bonds with maturities of seven and one-half to ten years.

Subscriptions for these securities may be made on form PD 4144. These forms and/or additional copies of this circular are available upon request.

Yours very truly,

P. E. Coldwell

President

Attachments

REGULATIONS GOVERNING UNITED STATES TREASURY CERTIFICATES OF INDEBTEDNESS -

STATE AND LOCAL GOVERNMENT SERIES,

UNITED STATES TREASURY NOTES - STATE AND LOCAL GOVERNMENT SERIES,

AND

UNITED STATES TREASURY BONDS - STATE AND LOCAL GOVERNMENT SERIES

DEPARTMENT CIRCULAR  
Public Debt Series No. 3-72,  
Revised

THE DEPARTMENT OF THE TREASURY  
Washington, November 21, 1972

The regulations in Department of the Treasury Circular, Public Debt Series No. 3-72, as amended (31 CFR Part 344), have been re-titled and further amended, as set forth below. The changes were effected under the authority of 26 U.S.C. 103(d), 83 Stat. 656; 31 U.S.C. 753, 754, 754b, and 5 U.S.C. 301. Notice and public procedures thereon are unnecessary as they relate to the fiscal policy of the United States.

John K. Carlock,  
Fiscal Assistant Secretary

Department of the Treasury Circular, Public Debt Series No. 3-72, dated May 22, 1972, as amended (31 CFR Part 344), is hereby further amended and issued as Department of the Treasury Circular, Public Debt Series No. 3-72, Revised.

Sec.

- 344.0 Offering of securities
- 344.1 Description of securities
- 344.2 Subscription for purchase
- 344.3 Issue date and payment
- 344.4 Redemption
- 344.5 General provisions

Sec. 344.0 Offering of securities.--In order to provide States, municipalities and other government bodies described in section 103(a)(1) of the Internal Revenue Code of 1954 and the regulations thereunder with investments tailored to their needs under those provisions, the Secretary of the Treasury offers, under the authority of the Second Liberty Bond Act, as amended--

- (1) United States Treasury Certificates of Indebtedness--State and Local Government Series,
- (2) United States Treasury Notes--State and Local Government Series, and
- (3) United States Treasury Bonds--State and Local Government Series,

for sale to those entities. The term "government body" as used herein refers to any one of these entities. The term "securities" herein refers jointly to the certificates, notes, and bonds. This offering will continue until terminated by the Secretary of the Treasury.

Sec. 344.1 Description of securities.

(a) General. The securities will be issued in book-entry form on the books of the Department of the Treasury, Bureau of the Public Debt, Washington, D. C. 20226. They may not be transferred by sale, exchange, assignment or pledge, or otherwise.

(b) Terms and rates of interest.

(1) Certificates of indebtedness.--The certificates will be issued in multiples of \$5,000 with periods of maturity fixed, at the option of the government body, for (i) 3 months, (ii) 6 months, (iii) 9 months, or (iv) 1 year. Each certificate will bear such rate of interest as the government body may designate, provided that it shall not be more than the current Treasury rate on a comparable maturity, reduced by one-eighth of 1 percent, on the date the subscription is submitted. The applicable Treasury rates will be determined by the Treasury not less often than monthly, and will be available at Federal Reserve Banks and Branches. Interest on the certificates will be computed on an annual basis and will be payable at maturity with the principal amount.

(2) Notes.--The notes will be issued in multiples of \$5,000 with periods of maturity fixed, at the option of the government body, from 1 year 6 months up to and including 7 years, or for any intervening half-yearly period. Each note will bear such rate of interest as the government body may designate, provided that it shall not be more than the current Treasury rate on a comparable maturity, reduced by one-eighth of 1 percent, on the date the subscription is submitted. The applicable

Treasury rates will be determined by the Treasury not less often than monthly, and will be available at Federal Reserve Banks and Branches. Interest on the notes will be payable on a semiannual basis by Treasury check on June 1 and December 1, and at maturity if other than June 1 or December 1. Final interest will be paid with the principal.

(3) Bonds.--The bonds will be issued in multiples of \$5,000 with periods of maturity fixed, at the option of the government body, from 7 years 6 months up to and including 10 years, or for any intervening half-yearly period. Each bond will bear such rate of interest as the government body may designate, provided that it shall not be more than the current Treasury rate on a comparable maturity, reduced by one-eighth of 1 percent, on the date the subscription is submitted. The applicable Treasury rates will be determined by the Treasury not less often than monthly, and will be available at Federal Reserve Banks and Branches. Interest on the bonds will be payable on a semiannual basis by Treasury check on June 1 and December 1, and at maturity if other than June 1 or December 1. Final interest will be paid with the principal.

Sec. 344.2 Subscription for purchase.--A government body may purchase a security under this offering by submitting a subscription and making payment to a Federal Reserve Bank or Branch. The subscription, dated and signed by an official authorized to make the purchase, must state the amount, issue date, maturity and interest rate of the security desired, and must give the title of the designated official authorized to redeem it. Separate subscriptions must be submitted for certificates, notes,

and bonds, and for securities of each maturity and each interest rate. A commercial bank may act on behalf of a government body in submitting subscriptions.

Sec. 344.3 Issue date and payment.--The issue date of a security will be the date requested by the subscriber, provided that date is not more than three weeks after the date of the subscription, and provided funds in full payment are available on that date at the Federal Reserve Bank or Branch to which the subscription was submitted.

Sec. 344.4 Redemption.

(a) At maturity. A security may not be called for redemption by the Secretary of the Treasury prior to maturity. Upon the maturity of a security, the Treasury will make payment of the principal amount and interest to the owner thereof by Treasury check, or in accordance with other prior arrangements made by the government body with the Bureau of the Public Debt.

(b) Prior to maturity. Securities may be redeemed at the owner's option on two days' notice after one month from the issue date in the case of certificates, and after one year from the issue date in the case of notes and bonds. Where redemption prior to maturity occurs, the interest for the entire period the security was outstanding shall be calculated on the basis of the lesser of (i) the original interest rate at which the security was issued, or (ii) an adjusted interest rate reflecting both the shorter period during which the security was actually outstanding and a penalty. The adjusted interest rate is the Treasury

rate which would have been in effect on the date of issuance for a marketable Treasury certificate, note, or bond maturing on the quarterly maturity date prior to redemption (in the case of certificates), or on the semiannual maturity period prior to redemption (in the case of notes and bonds), reduced in either case by a penalty which shall be the lesser of (i) one-eighth of 1 percent times the number of months from the date of issuance to original maturity, divided by the number of full months elapsed from the date of issue to redemption, or (ii) one-fourth of 1 percent. There shall be deducted from the redemption proceeds, if necessary, any overpayment of interest resulting from previous payments made at a higher rate based on the original longer period to maturity. A schedule showing the adjusted interest rates that apply to securities redeemed prior to their maturity dates will be available at the time of issuance of the securities. A notice to redeem a security prior to the maturity date must be given by the official authorized to redeem it, as shown in the subscription for purchase, to the Bureau of the Public Debt, Division of Securities Operations, Washington, D. C. 20226, by letter, wire, or telex, or by telephone confirmed by wire or telex. The telephone number is 202-964-7007, and the telex number is 892428.

Sec. 344.5 General provisions.

(a) Regulations. United States Treasury Certificates of Indebtedness--State and Local Government Series, United States Treasury Notes--State and Local Government Series, and United States Treasury Bonds--State and Local Government Series, shall be subject to the general regulations with respect to United States securities, which are set forth in

the Department of the Treasury Circular No. 300, current revision (31 CFR Part 306), to the extent applicable. Copies of the circular may be obtained from the Bureau of the Public Debt, Division of Securities Operations, Washington, D. C. 20226, or a Federal Reserve Bank or Branch.

(b) Fiscal agents. Federal Reserve Banks and Branches, as fiscal agents of the United States, are authorized to perform such services as may be requested of them by the Secretary of the Treasury in connection with the purchase of, and transactions in, the securities.

(c) Reservations. The Secretary of the Treasury reserves the right to reject any application for the purchase of securities hereunder, in whole or in part, and to refuse to issue or permit to be issued any such securities in any case or any class or classes of cases if he deems such action to be in the public interest, and his action in any such respect shall be final. The Secretary of the Treasury may also at any time, or from time to time, supplement or amend the terms of these regulations, or of any amendments or supplements thereto.