

**FEDERAL RESERVE BANK OF DALLAS**

**FISCAL AGENT OF THE UNITED STATES**

**DALLAS, TEXAS 75222**

Circular No. 74-191

July 12, 1974

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

Quoted below is the text of a statement issued by the Federal Financing Bank yesterday concerning the first offering of Federal Financing Bank bills.

**FEDERAL FINANCING BANK BILL OFFERING**

The Federal Financing Bank today announced its first borrowing from the public.

The Federal Financing Bank is an instrumentality of the United States Government and its obligations are general obligations of the United States, identical in this respect to Treasury obligations.

With the approval of the Secretary of the Treasury, the Bank is inviting bids for \$1.5 billion of discount bills to mature March 31, 1975. The bills, which will have the characteristics of Treasury bills and will be sold in the same way, will be auctioned on July 23 for delivery on July 30. Commercial banks may make payments for their own and their customers' accepted tenders by crediting Treasury tax and loan accounts.

Jack F. Bennett, President of the Bank and Under Secretary of the Treasury for Monetary Affairs, noted that the maturity date of the Bank's bills corresponds with a maturity date in Treasury's 2-year cycle. Consequently, at maturity, these securities could be refunded by an issue of 2-year notes at that time either through Treasury or the Federal Financing Bank.

The Bank was created by the Act of December 29, 1973, to consolidate the market financing of other Federal agencies. It made its first loan on May 24, 1974, and by July 30 it will have \$1.4 billion of loans outstanding, all of which will have been financed by borrowing from the Treasury. The proceeds of the public borrowing announced today will be used to pay off the borrowing from the Treasury.

There are attached brief descriptions of the Federal Financing Bank and the characteristics of its bills, and a formal opinion of the Attorney General of the United States concluding that "the

obligations of the Bank will be general obligations of the United States backed by its full faith and credit."

Combination tender forms/circular letters are enclosed in addition to the items mentioned above. Additional copies are available upon request.

Yours very truly,

P. E. Coldwell

President

Enclosures

Organization of the Federal Financing Bank  
Characteristics of Federal Financing Bank Bills  
Letter from Attorney General  
Tender Form

ORGANIZATION OF THE FEDERAL FINANCING BANK

The Federal Financing Bank was created by the Federal Financing Bank Act of 1973, approved December 29, 1973, (P.L. 93-224, 87 Stat. 937) as an instrumentality of the United States subject to the general direction and supervision of the Secretary of the Treasury. The purpose of the Bank is to consolidate the market financing of other Federal agencies. The Bank is authorized under the Act to purchase any obligations issued, sold, or guaranteed by any Federal agency, and to finance such purchases by issuing its own obligations in the market or to the Secretary of the Treasury.

The Secretary of the Treasury is Chairman of the Board, and the Under Secretary of the Treasury for Monetary Affairs is its President.

BOARD OF DIRECTORS

Secretary of the Treasury, Chairman  
Deputy Secretary of the Treasury  
Under Secretary of the Treasury for Monetary  
Affairs  
General Counsel of the Treasury  
Fiscal Assistant Secretary of the Treasury

OFFICERS

President	- Under Secretary of the Treasury for Monetary Affairs
General Counsel	- General Counsel of the Treasury
Vice President & Treasurer	- Fiscal Assistant Secretary of the Treasury
Vice President	- Special Assistant to the Secretary of the Treasury (Debt Management)
Secretary	- Assistant to the Special Assistant to the Secretary of the Treasury (Debt Management)

## CHARACTERISTICS OF FEDERAL FINANCING BANK BILLS

Public Law 93-224 established the Federal Financing Bank under the general direction and supervision of the Secretary of the Treasury. The purpose of the Bank is to consolidate the market financing of other Federal agencies.

The Bank may purchase obligations issued, sold, or guaranteed by any Federal agency. To finance such purchases the Bank may issue obligations in the market or to the Secretary of the Treasury. The authority of the Bank to borrow from the Secretary of the Treasury assures the immediate availability of any funds required for timely payment by the Bank of principal and interest on obligations issued in the market.

Obligations issued in the market by the Bank are obligations of the United States issued with the approval of the Secretary of the Treasury. Federal Financing Bank bills are

- Available in bearer or book entry form.
- Exempt from State and local taxation to the same extent as Treasury securities.
- Lawful investments and may be accepted as security for all fiduciary, trust and public funds (including Treasury tax and loan accounts), the investment or deposit of which is under the authority of any officer of the United States or of the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States.
- Eligible as collateral for Federal Reserve Bank advances.
- Eligible for Federal Reserve Bank open market purchases.
- Payable at Federal Reserve Banks or at the Treasury.
- Eligible for denominational exchanges at Federal Reserve Banks or the Bureau of the Public Debt of the Treasury.
- Eligible for conversion to book-entry at Federal Reserve Banks.
- Eligible for Federal Reserve Bank wire transfer.
- Eligible for relief in the event of loss, theft, or destruction in the same manner as Treasury securities.
- Eligible for purchase by national banks without restriction.
- Eligible for investment by Federal savings and loan associations, Federal credit unions, and small business investment companies.

July 3, 1974

Honorable William E. Simon  
The Secretary of the Treasury  
Washington, D. C. 20220

My dear Mr. Secretary:

You have requested my opinion as to whether obligations to be issued by the Federal Financing Bank will be backed by the full faith and credit of the United States.

The Bank was created by the Federal Financing Bank Act of 1973, P. L. 93-224, 87 Stat. 937 to assure coordination of Federal and federally assisted borrowing programs. It is a government instrumentality subject to the general supervision and direction of the Secretary of the Treasury.

Congress has specifically authorized the Bank to issue obligations to the public in amounts not in excess of \$15,000,000,000 or such additional amounts as may be authorized in appropriations acts. 87 Stat. 939. In addition, the Bank may issue obligations to the Secretary of the Treasury and the latter may in his discretion purchase any such obligations. Aside from the Secretary's discretionary purchases, moreover, the Bank may require him to purchase its obligations in amounts that will not at any time cause his holdings from required purchases to exceed \$5,000,000,000.

Nowhere in the legislation is it expressly stated that the full faith and credit of the United States is pledged to the obligations issued by the Bank. However, an extensive series of opinions of Attorneys General of the United States has established that such language is not necessary to a pledge of full faith and credit. It is enough to create an obligation of the United States if an agency or officer is validly authorized to incur such an obligation on its behalf and validly exercises that power. E.g., 42 Op.A.G. No. 30; 42 Op.A.G. No. 1; 41 Op.A.G. 403; 41 Op.A.G. 363.

In sum, I am of the opinion that if issued within the monetary limits of the Act and in accordance with its other provisions, the obligations of the Bank will be general obligations of the United States backed by its full faith and credit.

Sincerely,

William B. Saxbe  
Attorney General