

(closed)

FEDERAL RESERVE BANK OF NEW YORK
Offering of \$400,000,000 (or thereabouts)
UNITED STATES OF AMERICA TREASURY CERTIFICATES OF INDEBTEDNESS
Dated and bearing interest from June 15, 1920

Series A 1921, 5 $\frac{3}{4}$ Per Cent Due January 3, 1921

Series T J-1921, 6 Per Cent Due June 15, 1921.

To all Banks, Trust Companies, Savings Banks, Bankers, Investment Dealers and Principal Corporations in the Second Federal Reserve District:

The Secretary of the Treasury, under the authority of the act approved September 24, 1917, as amended, offers for subscription, at par and accrued interest, through the Federal Reserve Banks, Treasury certificates of indebtedness, in two series, both dated and bearing interest from June 15, 1920, the certificates of Series A 1921 being payable on January 3, 1921 with interest at the rate of five and three-quarters per cent per annum and the certificates of Series T J-1921 being payable on June 15, 1921, and bearing interest at the rate of six per cent per annum payable semi-annually.

Applications will be received at the Federal Reserve Banks.

Bearer certificates will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000 and \$100,000. The certificates of Series A 1921 will be issued without coupons. The certificates of Series T J-1921 will have two interest coupons attached payable December 15, 1920 and June 15, 1921.

The certificates of both said series shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess profits and war profits taxes, nor or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds and certificates authorized by said act approved September 24, 1917, and amendments thereto, the principal of which does not exceed in the aggregate \$5,000, owned by any individual, partnership, association or corporation, shall be exempt from the taxes provided for in clause (b) above.

The certificates of these series do not bear the circulation privilege. The certificates of Series A 1921 will not be accepted in payment of taxes. The certificates of Series T-J 1921 will be accepted at par, with an adjustment of accrued interest, during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury, in payment of income and profits taxes payable at the maturity of the certificates.

The right is reserved to reject any subscription and to allot less than the amount of certificates of either or both series applied for any to close the subscriptions as to either or both series at any time without notice. Payment at par and accrued interest for certificates allotted must be made on or before June 15, 1920, or on latter allotment. After allotment and upon payment Federal Reserve Banks may issue interim receipts pending delivery of the definitive certificates. Any qualified depository will be permitted to make payment by credit for certificates allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district. Treasury certificates of indebtedness of Series T J-1920, maturing June 15, 1920, of Series E 1920, maturing July 1, 1920, and of Series F 1920, maturing July 15, 1920, will be accepted at par with an adjustment of accrued interest, in payment for any

certificates of the Series A 1921 or T J-1921 now offered which shall be subscribed for and allotted.

As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions and to make allotment in full in the order of the receipt of applications up to amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts.

Yours very truly,

J. H. CASE,
Acting Governor.

New York, June 10, 1920.

(Reference to reprint of letter of the Secretary of the Treasury, page 3)

Reprint of Letter of the Secretary of the Treasury to the Presidents of
Banking Institutions of the United States on the Current $5\frac{3}{4}$
and 6 Per Cent Issues of Treasury Certificates
of Indebtedness.

Washington, D. C., June 10, 1920

Dear Sir: Treasury certificates to the amount of nearly \$1,000,000-000 mature on or before July 15. The greater part of these are provided for by the income and profits tax installment payable in June. To refund the balance and provide for current requirements up to July 15, according to the best estimates now available, it seems desirable at this time to issue Treasury certificates to the amount of \$400,000,000 or thereabouts; and accordingly the Treasury is offering certificates in two series, both dated June 15, Series A 1921, bearing interest at $5\frac{3}{4}\%$ and maturing January 3, 1921, and Series T J-1921, bearing interest at 6% and maturing June 15, 1921, particulars concerning which will be furnished by the Federal Reserve Banks.

On the basis of Treasury daily statements and excluding transactions in the principal of the public debt: though the first quarter, ended September 30, 1919, of the present fiscal year ending June 30, 1920, was marked by a deficit of about \$770,000,000, in the second quarter, ended December 31, 1919, there was a surplus of over \$150,000,000; in the third quarter ended March 31, 1920, there was a surplus of nearly \$400,000,000 and the fourth quarter ending June 30 next, should also show a surplus. The completed fiscal year's operations should show little, if any deficit--the Government having about balanced its budget, current receipts against current disbursements, for the first full fiscal year after fighting stopped.

The total gross debt of the United States, which, on June 30, 1919, on the basis of Treasury daily statements, amounted to nearly \$25,500,000,000 and on August 31, 1919, to

nearly \$26,600,000,000 had been reduced May 31, 1920, to less than \$25,000,000,000. The floating debt outstanding (loan and tax certificates) which on June 30, 1919 amounted to over \$3,250,000,000 and on August 31, 1919, to nearly \$4,000,000,000, had been reduced May 31, 1920, to less than \$2,850,000,000. The reduced ordinary and public debt disbursements have made possible a very important reduction in the amount of the net balance in the general fund, which has been applied to the reduction of debt. Both gross debt and floating debt will be further greatly reduced by the operations outlined in the first paragraph of this letter.

During the coming fiscal year beginning July 1, 1920, the Treasury expects, though it is impossible to speak positively, that there will be a further reduction of both gross debt and floating debt in the first two quarters and, unless additional burdens should be imposed by future legislation, that there will be a very important reduction in the last two quarters.

The period of upwards of twelve months since the flotation of the Victory Liberty loan has witnessed great expansion of commercial credits, but steady liquidation of United States Government war securities. The Federal Reserve Banks' combined loans and discounts secured by United States Government war securities have been reduced by more than \$400,000,000 though they have increased their other loans and investments by about \$1,200,000,000. All reporting member banks (about 800 member banks in leading cities which are believed to control about 40% of the commercial bank deposits of the country) have reduced their holdings of and loans upon United States Government war securities by about \$2,000,000,000 but have increased their other loans and investments by about \$4,000,000,000.

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The Treasury confidently asks the banking institutions of the country for their continued support, and, in particular, to subscribe liberally for the certificates now offered and use their best efforts to

obtain the widest possible distribution of them among investors.

Cordially yours,

D. F. HOUSTON.