(New Issues) CIRCULAR No. 300

(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 September 15, 1920

Series TM3—1921, 5¾ Per Cent. Due March 15, 1921
Series TS—1921, 6 Per Cent. Due September 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 September 15, 1920, the certificates of Series T M 3—1921 being payable on March 15, 1921 with interest at the rate of five and three-quarters per cent. per annum and the certificates of Series T S—1921 being payable on September 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 T M 3—1921 will have one interest coupon attached, payable March 15, 1921, and the certificates of Series T S—1921, two interest coupons attached payable March 15 and September 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, now 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.

Certificates of these series 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, respectively. The certificates of these series do not bear the circulation privilege.

The right is reserved to reject any subscription and to allot less than the amount of certificates of either or both series applied for and 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 September 15, 1920, or on later allotment. After allotment and upon payment Federal Reserve Banks may issue interim receipts pending delivery of the definitive certificates. Any qualified depositary 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 10, maturing September 15, 1920, and of Series G 1920, maturing October 15, 1920, will be accepted at par with an adjustment of accrued interest, in payment for any certificates of the series T M 3—1921 or T S—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, September 7, 1920.

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

The attention of subscribers is directed to the conditions described in the last paragraph of this circular.

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Reprint of Letter of the Secretary of the Treasury to the Presidents of Banking Institutions of the United States on the Current 5¾ and 6 Per Cent. Issues of Treasury Certificates of Indebtedness.

Washington, D. C. September 7, 1920

Dear Sir: Treasury certificates of indebtedness to the amount of about $640,000,000 mature on September 15, 1920, and of about $160,000,000 mature on October 15, 1920. The greater part of those $800,000,000 maturing certificates will be covered by the installment of income and profits taxes payable on September 15th. In order to provide for the balance of the certificates requiring to be refunded and meet the current requirements of the Government up to October 15th the treasury has decided, on the basis of the best estimates available at this time, to offer treasury certificates of indebtedness in the amount of $400,000,000 or thereabouts, in two series both dated September 15, 1920, one series designated T M 3—1921, bearing five and three-quarters per cent. interest, maturing March 15, 1921 and the other series designated T S—1921, bearing six per cent. interest and maturing September 15, 1921. Applications for Treasury certificates of the series will be received through the several Federal Reserve Banks from which full particulars concerning the offering may be obtained. Treasury certificates of the series maturing September 15, 1920, and October 15, 1920 will be accepted at par with an adjustment of accrued interest in payment for any certificates of the two series now offered which may be subscribed for and allotted.

On the basis of daily treasury statements, during the first two months of the current fiscal year, beginning July 1, 1920, the ordinary receipts of the Government amounted to $628,767,191.13 while the ordinary disbursements during the same period amounted to $754,072,901.76 leaving a net current deficit (excess of ordinary disbursements over ordinary receipts) of $125,305,710.63. This net current deficit for the first two months of the fiscal year is due chiefly to actual cash payments, in amount of some $130,000,000 made necessary by the provisions of the Transportation Act, 1920, in connection with the return of the railroads to private control. According to the latest estimates, payments on account of the railroads will probably continue on a large scale during the balance of the present calendar year, and will be relatively heavy during the month of September. Notwithstanding the net current deficit during the first two months and these extraordinary payments on account of the railroads, it is expected that the first quarter of the fiscal year, ending September 30, 1920, will show a surplus.

The gross debt of the Government on August 31, 1920, on the basis of daily treasury statements, amounted to $24,324,672,123.79 as against $24,299,321,467.07 at the close of the fiscal year ended June 30, 1920, or an increase of only $25,350,656.72. The floating debt (loan and tax certificates unmatured) on August 31, 1920, amounted to $2,571,201,-000 as against $2,485,552,500 on June 30, 1920. As a result of the operations incident to the handling of the maturities of Treasury certificates on September 15th and October 15th and the payment of the income and profits tax installment on September 15th, it is expected that the increases in both gross debt and floating debt which have accrued since June 30 as the result chiefly of the heavy railroad payments will be more than overcome and that both gross debt and floating debt will be materially reduced by September 30th below the amounts outstanding on June 30, 1920. Further issues of treasury certificates during the months of October and November may subsequently result in temporary increases in both gross debt and floating debt but the treasury confidently expects that by the completion of the second quarter of the fiscal year, on December 31, 1920, any such temporary increases will have been overcome and that the gross debt and floating debt on December 31st will have been further reduced below the amounts outstanding on September 30th.

The treasury certificates of the two series now offered, dated September 15th are exempt from state and local taxes, except inheritance tax and from the normal Federal income tax and the corporation income tax, and are admissible assets for the purpose of calculating profits taxes. The certificates are acceptable in payment of Federal income and profits taxes payable at their respective maturities and the United States reserves no option to call them for redemption before maturity. These features, together with the attractive interest rates and and absolute safety of principal and interest, make the certificates extremely desirable investments. The treasury believes, therefore, that banks generally should feel free to subscribe largely for the certificates with the confident expectation of prompt resale for investment. In this connection, it is interesting to note that all reporting member banks (about 818 member banks in leading cities which are believed to control about 40 per cent. of the commercial bank deposits of the country, and to have subscribed in the first instance for about 75 per cent. of the treasury certificates of indebtedness now outstanding), held on August 27, 1920 only about $400,000,000 face amount of treasury certificates, notwithstanding the fact that there were outstanding on that date some $2,571,000,000 face amount of loan and tax certificates.

The treasury again 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,

Secretary.