

(The full text of Secretary Mellon's letter to bank presidents will be found on the last two pages)

Federal Reserve Bank of New York

Offering of \$500,000,000 (or thereabouts)

United States of America

Four and One-Quarter Per Cent. Treasury Bonds of 1947-52

Dated and bearing interest from October 16, 1922. Due October 15, 1952.

Redeemable at the option of the United States at par and accrued

interest on and after October 15, 1947. Interest

payable April 15 and October 15.

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

The Secretary of the Treasury invites subscriptions, at par and accrued interest, from the people of the United States, for four and one-quarter per cent. Treasury bonds of 1947-52 of an issue of gold bonds of the United States authorized by the Act of Congress approved September 24, 1917, as amended. The amount of the offering will be \$500,000,000, or thereabouts, with the right reserved to the Secretary of the Treasury to allot additional bonds up to a limited amount to the extent that four and three-quarters per cent. Victory notes or Treasury certificates of indebtedness of Series TD or TD 2-1922 are tendered in payment.

DESCRIPTION OF BONDS

The bonds will be dated October 16, 1922, and will bear interest from that date at the rate of four and one-quarter per cent. per annum, payable April 15 and October 15 in each year on a semiannual basis. The bonds will mature October 15, 1952, but may be redeemed at the option of the United States on and after October 15, 1947, in whole or in part, at par and accrued interest, on any interest day or days, on four months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe.

In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease. The principal and interest of the bonds will be payable in United States gold coin of the present standard of value. Bearer bonds with interest coupons attached will be issued in denominations of \$100, \$500, \$1,000, \$5,000, and \$10,000. Bonds registered as to principal and interest will be issued in denominations of \$100, \$500, \$1,000, \$5,000, \$10,000, \$50,000, and \$100,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds and for the transfer of registered bonds, without charge by the United States, under rules and regulations prescribed by the Secretary of the Treasury.

The bonds 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. Any of the bonds which have been owned by any person continuously for at least six months prior to the date of his death, and which upon such date constitute part of his estate, shall, under rules and regulations prescribed by the Secretary of the Treasury, be receivable by the United States at par and accrued interest in payment of any estate or inheritance taxes imposed by the United States, under or by virtue of any present or future law upon such estate or the inheritance thereof. The bonds will be acceptable to secure deposits of public moneys, but do not bear the circulation privilege and are not entitled to any privilege of conversion.

APPLICATION, ALLOTMENT, AND PAYMENT

Applications will be received at the Federal Reserve Banks, as fiscal agents of the United States. Banking institutions generally will handle applications for subscribers, but only the Federal Reserve Banks are authorized to act as official agencies.

Within the limitation on the amount of the offering, applications from any one subscriber for an amount of bonds not exceeding \$10,000 will be allotted in full, and allotments thereon may be made upon application. Applications for amounts in excess of \$10,000 will be received subject to allotment. The right is reserved to reject any subscription for an amount in excess of \$10,000 and to allot less than the amount of bonds applied for and to close the subscriptions at any time without notice. The Secretary of the Treasury also reserves the right to make allotment in full upon applications for smaller amounts, and to make reduced allotments upon, or to reject, applications for larger amounts, and to make classified allotments and allotments upon a graduated scale; and his action in these respects will be final.

Payment at par and accrued interest for any bonds allotted must be made on or before October 16, 1922, or on later allotment; provided, however, that persons who desire to make payment in installments may pay 50 per cent. on October 16, 1922, or on later allotment, and the balance on November 15, 1922, with accrued interest to that date on the deferred installment. Any qualified depository will be permitted to make payment by credit for bonds 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, except upon subscriptions for which Victory notes or Treasury certificates of indebtedness of Series TD or TD 2-1922 are tendered in payment. Treasury certificates of indebtedness of Series D-1922, maturing October 16, 1922, of Series TD-1922 and TD 2-1922, both maturing December 15, 1922 (with any unmatured coupons attached), and Victory notes of the four and three-quarters per cent. series whether or not called for redemption, will be accepted at the Federal Reserve Banks at par, with an adjustment of accrued interest, as of October 16, 1922, in payment for any Treasury bonds of 1947-52 now offered which shall be subscribed for and allotted. Victory notes in coupon form must have all unmatured coupons attached, and if in registered form must be duly assigned to the Secretary of the Treasury for redemption, in accordance with the general regulations of the Treasury Department governing assignments. Payments must be made when and as herein provided under penalty of forfeiture of any installment previously paid and of all right and interest in the bonds allotted.

As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions and to make allotments thereon on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts. Allotment notices will be sent out promptly upon allotment, and the basis of allotment will be publicly announced.

FURTHER DETAILS

Bonds will be delivered promptly after allotment and upon payment, and coupon bonds may be delivered prior to October 16, 1922, to subscribers for amounts not in excess of \$10,000 who make payment in full upon allotment. The Federal Reserve Banks may issue interim receipts pending delivery of the definitive bonds.

Further details may be announced by the Secretary of the Treasury from time to time, information as to which, as well as forms for application, may be obtained from the Treasury Department, Division of Loans and Currency, Washington, D. C., or from any Federal Reserve Bank.

Yours very truly,

BENJ. STRONG,

Governor.

New York, October 9, 1922.

Secretary Mellon's Letter

Washington, D. C., October 9, 1922

DEAR SIR:

I am sending you herewith a copy of the official Treasury Department circular announcing the offering of $4\frac{1}{4}$ per cent. Treasury bonds of 1947-52 for which subscription books open today. The offering is for \$500,000,000, or thereabouts, with the right reserved to the Secretary of the Treasury to allot additional bonds to the extent that $4\frac{3}{4}$ per cent. Victory notes or Treasury certificates maturing December 15 are tendered in payment.

The new bonds will be 25-30 year bonds, dated October 16, 1922, maturing October 15, 1952, and redeemable at the option of the United States on and after October 15, 1947. The bonds will be issued in both coupon and registered form, in denominations of \$100 and upwards. Applications will be received through the Federal Reserve Banks, and the Treasury is prepared to make deliveries promptly upon allotment and payment. Subject to the limitations on the amount of the offering, allotments will be made in full in the order of receipt of application, upon subscriptions for amounts not exceeding \$10,000 for any one subscriber, and upon subscription for which either $4\frac{3}{4}$ per cent. Victory notes or Treasury certificates maturing December 15 are tendered in payment. Other applications for amounts exceeding \$10,000 for any one subscriber will be received subject to allotment.

This is a refunding issue, and it affords a particularly favorable opportunity to holders of $4\frac{3}{4}$ per cent. Victory notes to acquire a long-time government bond on attractive terms in place of Victory notes, which will mature or be redeemed within the next few months. I am, therefore, address-

ing this letter to the heads of all banking institutions in the country, and asking you to provide every possible facility for investing in the new bonds. I hope that you will also make a special effort to bring the offering to the attention of your customers, large and small, for it is the Treasury's desire to secure the widest possible distribution of the bonds among investors.

I think you will be interested in this connection to know what has already been accomplished in the refunding of the short-dated debt, and what still remains to be done. On April 30, 1921, when the Treasury first announced its refunding program, the gross public debt, on the basis of daily Treasury statements, amounted to about \$24,000,000,000, of which over \$7,500,000,000 was maturing within about two years. On September 30, 1922, the total gross debt on the same basis stood at about \$22,800,000,000, and of the early maturing debt about \$4,000,000,000 had already been retired or refunded, chiefly into short-term Treasury notes with maturities spread over the next four fiscal years. There will fall due this fiscal year about \$1,100,000,000 of Treasury certificates of indebtedness, about \$625,000,000 maturity value of War Savings certificates of the Series of 1918, and about \$1,800,000,000 of Victory notes. Of the Treasury certificates, about \$48,000,000 represents Pittman Act Certificates, which will be retired this year through the recoinage of silver bullion, while about \$100,000,000 of loan certificates maturing October 16, 1922, will be paid out of funds already in hand. The retirement of these certificates will leave

Secretary Mellon's Letter (Continued)

only tax certificates outstanding and it will in any event continue to be desirable, with income and profits tax payments as large as they are, for the Treasury to have outstanding at least \$1,000,000,000 of tax certificates in amounts and with maturities conforming to the quarterly tax payments. This correspondingly reduces the amount of necessary refunding into other securities.

After October 16, 1922, the next maturities fall on December 15 and include about \$870,000,000 face amount of $4\frac{3}{4}$ per cent Victory notes called for redemption, and about \$420,000,000 of maturing tax certificates of Series TD and TD 2-1922, against which the Treasury will receive in December about \$250,000,000 of income and profits taxes. On January 1, 1923, the \$625,000,000 of War Savings certificates become payable, but the Treasury has already announced, as you know, a new offering of Treasury Savings certificates with a view to refunding as much as possible of the maturity into obligations of the same general character and with the same appeal to the needs of the small investor. The Treasury will shortly announce special facilities for the exchange of maturing War Savings certificates for the new Treasury Savings certificates, and plans in this manner to provide for a substantial part of the War Savings maturity. The only Treasury certificates maturing in the second half of the fiscal year 1923 are about \$266,000,000 on March 15, 1923, and about \$273,000,000 on June 15, 1923, both of which are covered by the income and profits tax payments estimated for those dates. On May 20, 1923, the remaining \$930,000,000 of $4\frac{3}{4}$ per cent. Victory notes will mature according to their terms.

The maturities which remain and have to be refunded the Treasury will

meet through issues of refunding securities, properly adjusted to market conditions, and I believe it will be able to meet them, as it has in the past, without disturbance to the markets, and without strain on the financial machinery. During the course of the refunding operations which have been in progress the Treasury has issued from time to time Treasury certificates of indebtedness, Treasury notes and Treasury Savings certificates, all relatively short-term. These operations have been successful and have been accomplished without disturbance to the market for outstanding securities. With the announcement of the bonds now offered, the Treasury is adding to its list a refunding issue of long-time bonds, on a basis which should prove particularly attractive to investors. These bonds will provide, through exchanges and otherwise, for a substantial part of heavy maturities falling on December 15, and the success of the offering will leave only a normal amount of financing to be placed on that date.

It is four years since the Treasury has offered to the people of the United States an issue of long-time government bonds. During that period it has been financing itself on a short-term basis, and it has succeeded, with your co-operation, in placing with investors throughout the country a great volume of Treasury certificates and Treasury notes. Now that the time has come for a longer-term operation, I am looking forward with confidence to your continued support, and hope that, as with previous offerings of government securities, you will give your best efforts to the distribution of the new Treasury bonds among investors.

Cordially yours,

A. W. MELLON,
Secretary of the Treasury.

*To the President of the
Banking Institution Addressed.*

FEDERAL RESERVE BANK
OF NEW YORK

Securities Department

October 9, 1922.

(To accompany our Circular 493)

Daily Bank Report of Subscriptions to
United States $4\frac{1}{4}$ Per Cent. Treasury Bonds of 1947-52

*To all Member Banks, State Banks and Trust Companies
in the Second Federal Reserve District:*

We are enclosing herewith a supply of reports, Form 1, to be used by you each day in reporting to us the amount of subscriptions to the new issue of United States $4\frac{1}{4}$ per cent. Treasury bonds of 1947-52.

This report should include *all* subscriptions which you expect to pay for in full or in part *by cash or by book credit*. It is further requested that you obtain signed applications from all subscribers and retain them in your files so that names, addresses and amounts of subscriptions can be furnished if required. A supply of application blanks for this purpose is enclosed (Form TBA). Later we will send you a separate application to cover all cash or book credit subscriptions which you report on Form 1.

May we ask for your cooperation in mailing Form 1 to us daily as this information is of vital importance.

Very truly yours,

BENJ. STRONG,

Governor.