

FEDERAL RESERVE BANK  
OF NEW YORK

Certificates of Indebtedness  
Department

[ Circular No. 509  
December 7, 1922 ]

**New Issues of Treasury Certificates of Indebtedness  
and  
Treasury Notes**

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

Two new series of Treasury certificates and a new series of Treasury notes are today offered for subscription through the Federal Reserve Banks by the Secretary of the Treasury. In announcing the new offerings Secretary Mellon in a statement to the press said:

“The Treasury is today announcing its December financing, which comprises, first, an offering of Treasury certificates of indebtedness in two series, one bearing  $3\frac{1}{2}$  per cent. interest and maturing in three months, and the other bearing 4 per cent. interest and maturing in one year, and, second, an offering of short-term Treasury notes bearing  $4\frac{1}{2}$  per cent. interest and maturing in two and one-half years. The combined offering of certificates is for \$400,000,000, or thereabouts, while the offering of notes is for \$300,000,000 or thereabouts, with the right reserved to the Secretary of the Treasury to allot additional notes to the extent that  $4\frac{3}{4}$  per cent. Victory notes are tendered in payment. In connection with this financing the Secretary is sending a circular letter to the banking institutions of the country which sets forth the state of the Treasury and indicates what will be accomplished by the December operations.”

The text of the offerings of the new issues and a reprint of Secretary Mellon's letter to the presidents of banks and trust companies will be found on the following pages.

Very truly yours,

**BENJ. STRONG,**

*Governor.*

(New Issues)

## 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 December 15, 1922.

Series TM2-1923, 3½ Per Cent. Due March 15, 1923.

Series TD-1923, 4 Per Cent. Due December 15, 1923.

**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 December 15, 1922, the certificates of Series TM2-1923 being payable on March 15, 1923, with interest at the rate of three and one-half per cent. per annum on a quarterly basis, and the certificates of Series TD-1923 being payable on December 15, 1923, with interest at the rate of four per cent. per annum, payable semiannually.

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 TM2-1923 will have one interest coupon attached, payable March 15, 1923, and the certificates of Series TD-1923 two interest coupons attached, payable June 15 and December 15, 1923.

The certificates of 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.

The 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. The certificates of these series will be acceptable to secure deposits of public moneys, but 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. 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. Allotment notices will be sent out promptly upon allotment, and the basis of allotment will be publicly announced.

Payment at par and accrued interest for certificates allotted must be made on or before December 15, 1922, or on later 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 TD and TD2-1922, both maturing December 15, 1922, and 4¾ per cent. Victory notes bearing the distinguishing letters A, B, C, D, E, or F, prefixed to their serial numbers, called for redemption on December 15, 1922, will be accepted at par, with an adjustment of accrued interest, in payment for any certificates of the Series TM2-1923 or TD-1923 now offered which shall be subscribed for and allotted. Victory notes in coupon form must have May 20, 1923, 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.

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

Yours very truly,

BENJ. STRONG,  
Governor.

New York, December 7, 1922

(New Issue)

# Federal Reserve Bank of New York

Offering of \$300,000,000 (or thereabouts)

United States of America

Four and One-Half Per Cent. Treasury Notes

SERIES C-1925

Dated and bearing interest from December 15, 1922.

Due June 15, 1925.

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

The Secretary of the Treasury offers for subscription, at par and accrued interest, through the Federal Reserve Banks, Treasury notes of Series C-1925, of an issue of gold notes of the United States authorized by the Act of Congress approved September 24, 1917, as amended. The notes will be dated and bear interest from December 15, 1922, will be payable June 15, 1925, and will bear interest at the rate of four and one-half per cent. per annum, payable semiannually on June 15 and December 15 in each year.

Applications will be received at the Federal Reserve Banks.

Bearer notes with interest coupons attached will be issued in denominations of \$100, \$500, \$1,000, \$5,000, \$10,000, and \$100,000. The notes are not subject to call for redemption before maturity, and will not be issued in registered form. The principal and interest of the notes will be payable in United States gold coin of the present standard of value.

The notes of 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.

Notes of this 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 or within six months before the maturity of the notes. Any of the notes 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 notes of this series will be acceptable to secure deposits of public moneys, but do not bear the circulation privilege.

The right is reserved to reject any subscription and to allot less than the amount of notes 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 application 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. Allotment notices will be sent out promptly upon allotment, and the basis of allotment will be publicly announced.

Payment at par and accrued interest for notes allotted must be made on or before December 15, 1922, or on later allotment. After allotment and upon payment Federal Reserve Banks may issue interim receipts pending delivery of the definitive notes. Any qualified depository will be permitted to make payment by credit for notes 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 are tendered in payment. Treasury certificates of indebtedness of Series TD and TD2-1922, both maturing December 15, 1922, and  $4\frac{3}{4}$  per cent. Victory notes, whether or not called for redemption, will be accepted at the Federal Reserve Banks at par, with an adjustment of accrued interest, as of December 15, 1922, in payment for any Treasury notes of the Series C-1925 now offered which shall be subscribed for and allotted. Victory notes in coupon form must have May 20, 1923, 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.

The amount of the offering will be \$300,000,000, or thereabouts, with the right reserved to the Secretary of the Treasury to allot additional notes to the extent that payment is tendered in Victory notes pursuant to this circular. 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.

Very truly yours,

BENJ. STRONG,

Governor.

New York, December 7, 1922

Reprint of Secretary Mellon's Letter to the Presidents of Banking Institutions on the  
December 15, 1922, Offerings of Treasury Certificates and Treasury Notes

Washington, D. C., December 7, 1922.

DEAR SIR:

The Treasury is today announcing its December financing, which comprises, first, an offering of Treasury certificates of indebtedness in two series, both dated December 15, 1922, one bearing  $3\frac{1}{2}$  per cent. interest and maturing in three months and the other bearing 4 per cent. interest and maturing in one year, and, second, an offering of short-term Treasury notes, dated December 15, 1922, bearing  $4\frac{1}{2}$  per cent. interest and maturing in two and one-half years. Subscriptions are being received through the Federal Reserve Banks, acting as fiscal agents of the United States. The combined offering of certificates is for \$400,000,000, or thereabouts, while the offering of notes is for \$300,000,000, or thereabouts, with the right reserved to the Secretary of the Treasury to allot additional notes to the extent that  $4\frac{3}{4}$  per cent. Victory notes are tendered in payment. The terms of the offering are fully set forth in Treasury Department Circulars 314 and 315, both dated December 7, 1922, copies of which are enclosed for your ready reference.\*

There will become payable on December 15, 1922, about \$700,000,000 of  $4\frac{3}{4}$  per cent. Victory notes called for redemption on that date, and about \$200,000,000 of Treasury certificates of indebtedness maturing on that date. At the same time, about \$100,000,000 will be payable as interest on the public debt. Against these payments, aggregating about \$1,000,000,000, the Treasury already has available balance amounting to about \$275,000,000, and it expects to receive during December about \$275,000,000 in income and profits taxes. The notes and certificates now offered will provide for the remainder of the December 15th maturities and leave a margin to cover the Treasury's immediate cash requirements and such balance of the 1918 War-Savings certificates as may have to be redeemed in cash at the first of the year. The Treasury has already announced special arrangements for the exchange of these maturing War-Savings certificates into the new Treasury Savings certificates, and through these exchanges and the proceeds of the current offering, expects to provide for the greater part of the War-Savings maturity, leaving such further refunding as may be necessary for the purpose to be accomplished after the turn of the year when market conditions are favorable. With the completion of the December financing, the Treasury will thus have provided for most of the short dated debt maturing this fiscal year. Aside from the balance of War-Savings certificates that may remain to be refunded there will only be the issues of Treasury certificates maturing March 15 and June 15, 1923, both covered by the estimated tax payments to be received in those months, and the remaining uncalled Victory notes, amounting to about \$894,000,000, on November 30, 1922. Exchanges of these notes for the new Treasury notes now offered, and advance redemptions and retirements for the sinking fund and on other accounts, may be expected to reduce the outstanding amount of uncalled Victory notes still further before their maturity.

I think you will find it interesting in this connection to know about the improved prospects of the Treasury for this fiscal year and the next fiscal year. The budget which was presented to Congress on Monday shows that according to the latest revised estimates of receipts and expenditures the deficit for the current fiscal year has already been reduced to about \$29,000,000 as compared with an indicated deficit

of about \$697,000,000 at the beginning of the fiscal year, and at the same time holds out a real hope that by the end of the year the deficit can be entirely overcome by still further reductions in expenditure and increases of receipts, arising partly from further realization on Government owned securities and property and partly from increased collections of customs and internal taxes. The actual receipts and expenditures of the Government for the first five months of the current fiscal year, through November 30, 1922, support these estimates. Total ordinary receipts to that date on the basis of daily Treasury statements amounted to \$1,404,776,456.64 as compared with total expenditures chargeable against ordinary receipts, amounting to \$1,514,314,770.80, leaving a deficit for the first five months of only \$109,538,314.16. By the end of December this deficit should be overcome by the quarterly payment of income and profits taxes which falls due in that month, thus leaving a balanced budget, or perhaps even a small surplus, for the first six months of the fiscal year 1923. The prospects for the second half of the year are likewise favorable. The budget estimates for the next fiscal year 1924, indicate a surplus of about \$180,000,000, and though it is still too early to forecast the actual results, this indicated surplus gives some margin to take care of any deficit that may possibly remain at the close of the present year, or, if this year closes with a balanced budget or a small surplus, can be applied to the retirement of debt maturing within the fiscal year 1924. For both years 1923 and 1924, the budget provides for the regular sinking fund requirements and other public debt expenditures chargeable against ordinary receipts, so that any surplus that can be realized in either year will mean additional retirements of debt.

The Treasury is accordingly financing its December maturities on a short term basis, believing that the prospects for the next year or two indicate the probability of substantial retirements of early maturing debt out of current receipts, and that by reason of the redemption on December 15th of \$900,000,000, or thereabouts, of short term Government obligations, these new issues of short term notes and certificates, in a smaller aggregate amount and with maturities adapted to the varying needs of investors, will offer exceptionally attractive opportunities for reinvestment.

With this in view the Treasury is offering in the official circulars to accept Treasury certificates maturing December 15, 1922, and Victory notes called for redemption on that date, in payment for the new three months or one year certificates, and to accept certificates maturing December 15th and  $4\frac{3}{4}$  per cent. Victory notes, whether or not called for redemption, in payment for the new two and one-half year Treasury notes. By subscribing liberally to the new offerings in the first instance, and extending every possible facility to your customers to invest in the notes and certificates through cash purchase or by exchange of Victory notes or maturing certificates, you will be rendering an important service to the Treasury as well as to your customers, and at the same time will be helping to accomplish what all of us most desire in these operations, namely, the widest possible distribution of the Government's securities among investors throughout the country.

Cordially yours,

A. W. MELLON, *Secretary of the Treasury.*  
To the President of the Banking Institution addressed.