FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

Securities Department

[Circular No. 792
June 15, 1927]

EXCHANGE SUBSCRIPTION BOOKS TO REMAIN OPEN

Until Close of Business June 30

On 3⅜ Per Cent Treasury Bonds of 1943-47 Offered in Exchange for Second Liberty Loan Bonds

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

According to an announcement by the Secretary of the Treasury the period within which Second Liberty Loan bonds may be exchanged for the current issue of 3⅜ per cent Treasury bonds of 1943-47 has been extended fifteen days until the close of business June 30, 1927. The Federal Reserve Bank of New York, as fiscal agent of the United States, will therefore continue to receive exchange subscriptions for the new Treasury bonds as stated in the Treasury's announcement, a copy of which is reprinted on the following page.

Very truly yours,

BENJ. STRONG,
Governor.

SECRETARY MELLON'S ANNOUNCEMENT

Washington, June 15, 1927.

The Secretary of the Treasury announces that exchange subscriptions for the issue of 3⅜ per cent Treasury bonds of 1943-47, for which Second Liberty Loan 4 per cent bonds and Second Liberty Loan Converted 4¼ per cent bonds are exchangeable at par for each, will not close on June 15th, as previously announced, but will remain open until the close of business on June 30th.

Cash subscriptions at 100½ to this issue amounted to over $617,000,000, though only $200,000,000 were invited. Approximately $250,000,000 were allotted on the basis of reports received to date from Federal Reserve Banks. Exchange subscriptions to date aggregate approximately $170,000,000.

Exchange subscriptions have come in steadily at the rate of about 12 million dollars a day, and with few exceptions have been received in comparatively small lots. There has been a marked absence of large blocks such as were offered for exchange for notes in March last. This confirms the opinion of the Treasury Department that outstanding Second Liberty Loan bonds are still widely scattered in the hands of individual investors, many of them original subscribers, and many not familiar with investment securities nor in contact with such matters. In March, of approximately $1,360,000,000 bonds offered in exchange, no less than $1,021,000,000 were of $10,000 denomination and over. Approximately $751,000,000 exchange subscriptions for the March offering were received through the New York Federal Reserve Bank. It seems probable, therefore, that the banks, insurance companies and other large holders of Government securities, rather than the individual investor, were those to whom the March offering appealed, and that most of the large holdings were exchanged at that time.

The process of reaching thousands of individual investors is necessarily a slow one. The bonds were originally sold in many cases by a house to house canvass. To-day the sole means of contact and communication are the banks, public press and radio. It is probable that many holders of Seconds even to-day do not know that their bonds have been called and will cease to bear interest on November 15th, next, and that many more have no knowledge of the fact that their bonds are exchangeable for new 20-year United States Government bonds.

The Treasury Department desires that they should know of this exchange offering. A long-time bond was offered with the needs of the individual investor particularly in mind. The Secretary believes that from the public standpoint it is desirable that United States Government securities should be widely held, as were the original Liberty Loan issues, rather than concentrated in the hands of a comparatively few large banking, insurance, and industrial companies. This concentration almost inevitably takes place when current Treasury financing and refunding operations are effected by means of short-term certificates and notes.

It seems proper to point out to them that with the Second Liberty Loan bonds called for redemption in November, the early maturity of the Thirds, the fact that Fourths are callable in six years, and with debt retirement proceeding at the present rate, long-term United States bonds will no longer be available in such volume as we have been accustomed to since the war.

Many thousands of holders of Second Liberty Loan bonds have already availed themselves of the exchange offering. It is for the benefit of those who have not heard of it, or who have failed to act promptly, that the subscriptions will remain open for another fifteen days.