

FEDERAL RESERVE BANK  
OF NEW YORK

Fiscal Agent of the United States

Securities Department

[Circular No. 807  
September 23, 1927]

SUBSCRIPTION BOOKS TO CLOSE SATURDAY, OCTOBER 1

On  $3\frac{1}{2}$  Per Cent Treasury Notes of Series B—1930-32 Offered in Exchange for  
Second Liberty Loan  $4\frac{1}{4}$  Per Cent Bonds

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

The following statement was today made public by the Treasury Department:

Secretary Mellon today announced that the privilege of exchanging Second Liberty Loan  $4\frac{1}{4}$  per cent bonds for the new  $3\frac{1}{2}$  per cent Treasury notes of Series B-1930-32, will not be available after the close of business on Saturday, October 1st.

The Secretary further stated that the Treasury had definitely decided that with the closing of the subscription books on October 1st no further exchange privilege will be offered to holders of Second Liberty Loan bonds.

The bonds of the Second Liberty Loan have been called for redemption on November 15, 1927, and will not bear interest after that date. In view of the Treasury's decision, holders of Second  $4\frac{1}{4}$ 's who fail to exchange their bonds for the new  $3\frac{1}{2}$  per cent notes before the close of business on October 1st will have no further opportunity to convert their bonds into other securities of the Government.

The current offering of  $3\frac{1}{2}$  per cent Treasury notes was announced by the Treasury on September 6th. \$250,000,000 of the notes were offered for cash subscription, and over a billion dollars in cash subscriptions were received. Of those, only \$250,522,600 were allotted. In addition, holders of Second Liberty Loan  $4\frac{1}{4}$ 's were given an opportunity to enter exchange subscriptions for the new notes, at  $100\frac{1}{8}$ . The terms of the exchange offering provided that interest on any Second  $4\frac{1}{4}$ 's surrendered and allotted would be paid in full for November 15, 1927. This means that holders of Second  $4\frac{1}{4}$ 's who make the exchange before the close of business on October 1st will receive, at the time of delivery of the new Treasury notes, interest from May 15, 1927 to November 15, 1927, on the Second  $4\frac{1}{4}$ 's surrendered in exchange, less the amount of the premium on the notes issued.

Secretary Mellon further announced that the exchange subscriptions thus far received have maintained a daily average which meets the expectations of the Treasury. However, in view of the obviously advantageous terms of the offering whereby a holder of Second  $4\frac{1}{4}$ 's may receive the new notes in exchange and at the same time be paid six months interest on his Seconds to November 15th, less the premium, the Treasury desires every holder of Second  $4\frac{1}{4}$ 's to learn of the exchange privilege prior to October 1st, and to have the opportunity to consider making the exchange. Second  $4\frac{1}{4}$ 's are widely held and the banks of the country can perform a real public service in endeavoring to inform their customers of the exchange offering and remind them that Second Liberty Loan bonds have been called for redemption November 15th. Second  $4\frac{1}{4}$ 's are now selling in the market at about  $100\frac{1}{2}$ , or slightly better. With the closing of the exchange privilege on October 1st this premium will be considerably reduced.

Very truly yours,

BENJ. STRONG,  
Governor.