

FEDERAL RESERVE BANK
OF NEW YORK
Fiscal Agent of the United States

[Circular No. 1294]
[October 13, 1933]

Letter from Treasury Department to Presidents of Banks and Trust Companies
Regarding Partial Redemption of Fourth Liberty Loan Bonds Before Maturity
and the Offering of United States of America Treasury Bonds of 1943-45

*To all Banks and Trust Companies in the Second
Federal Reserve District and Others Concerned:*

At the request of the Treasury Department we transmit to you herewith copy of a letter dated October 12, 1933, addressed to the president of each bank and trust company by Acting Secretary of the Treasury Acheson, with respect to the call for partial redemption of Fourth Liberty Loan bonds before maturity and to the offering of new United States of America Treasury bonds of 1943-45.

As stated in the Treasury's letter "the present financing is an important and constructive step in the Government's program and an essential contribution to the sound process of recovery."

Full information regarding the presentation of the bonds for redemption under the call, and the present exchange offering, was sent to you yesterday with our Circular No. 1293 dated October 12, 1933.

GEORGE L. HARRISON,
Governor.

THE SECRETARY OF THE TREASURY
WASHINGTON

TREASURY DEPARTMENT

October 12, 1933.

DEAR SIR:

On September 28, 1918, in the midst of the war, the Secretary of the Treasury asked the people of the United States to buy \$6,000,000,000 of Fourth Liberty Loan $4\frac{1}{4}$ per cent bonds. You will recall the great campaign of the Liberty Loan bonds that followed. Doubtless you actively participated in making the offering a great success, for the people of the United States responded with more than 22,000,000 subscriptions, aggregating nearly \$7,000,000,000. The amount of bonds issued was \$6,964,581,100. Since the original issue about \$696,000,000 of the bonds have been retired on various accounts, and there remain outstanding about \$6,268,000,000.

Fourth Liberty loan bonds mature on October 15, 1938, but the outstanding bonds are now subject to call for redemption, in whole or in part, on any interest day or days, on six months' notice.

It has now been decided to take the first steps in the refunding of this loan. Accordingly, notice of the call of a part of the outstanding bonds for redemption on April 15, 1934, is being issued. The serial numbers of the bonds are so arranged as to be divided in ten parts, each of about \$627,000,000. Three parts are being called—the amount accordingly being about \$1,900,000,000.

At the same time, in addition to the issuing of a call for partial redemption, a new series of 10-12 year Treasury bonds is being offered for subscription, both for cash and in exchange for Fourth Liberty Loan bonds. Cash subscriptions are invited at $101\frac{1}{2}$, which includes accrued interest from October 15, the date of the new bonds, to November 1, 1933, the date when payment on allotted cash subscriptions will be due. Exchange subscriptions, which are open to all holders of Fourth Liberty Loan bonds, whether called or uncalled, are invited at par. The new bonds, which will be dated October 15, 1933, will carry coupons at $4\frac{1}{4}$ per cent, the rate of the Fourth Liberty Loan bonds, until October 15, 1934, and thereafter at the rate of $3\frac{1}{4}$ per cent until due for payment. They will mature on October 15, 1945, but may be called on and after October 15, 1943.

The offering of Treasury bonds should prove particularly attractive to the present holders of Fourth Liberty Loan bonds, which in part are now called for redemption on April 15, 1934, and the balance of which must be retired on or before October 15, 1938, for it gives such holders an opportunity to exchange their present bonds for a new long-term issue, callable in 1943 and maturing in 1945, which will bear the same rate of interest as the bonds they now hold, until October 15, 1934, and thereafter at a rate of $3\frac{1}{4}$ per cent. It should also prove attractive to cash subscribers as they are offered an investment at a price which will yield a return in line with current yields on similar Government obligations.

I might add that the present financing is an important and constructive step in the Government's program and an essential contribution to the sound process of recovery. While there continues to be a disparity between the unusually low level of short-term open market rates and the level of rates on funds for long-term investment, improvement has been apparent in the market for long-term Government obligations. The present offering of Treasury bonds and the conditions which warrant it, mark progress toward a greater availability of funds for long-term uses.

The Fourth Liberty was the largest of the war loans, and distribution of the bonds throughout the country was the most widespread ever accorded an issue of the United States. There are now outstanding more than 5,000,000 pieces of coupon bonds, including about 3,500,000 in the denominations of \$50 and \$100, and about 1,300,000 pieces of registered bonds, more than half being in the two lower denominations.

The Treasury, of course, has direct contact with the holders of registered bonds, but has no contact at all with the holders of coupon bonds. In order to advise the holders of coupon bonds of the call for partial redemption, and that certain bonds will be due on April 15 next when interest on such bonds will cease, every available means of publicity will be necessary. The banking institutions of the country, and generally speaking only the banking institutions, have direct contact with the holders of Fourth Liberty Loan coupon bonds through facilities extended by the banks in the collection of coupons.

In these circumstances I am confident the officers and employees of your institution, at every opportunity and by every possible means, will acquaint the holders of Fourth Liberty Loan bonds with the notice of the call for partial redemption which may affect the bonds held by them. At the same time, they may take advantage of the present exchange offering if they so desire, the attention of such holders should be called to the offering.

Full information regarding the presentation of the bonds for redemption under the call, and the present exchange offering, will be communicated to you by the Federal reserve bank of your district. In all matters connected with these transactions I am sure I can count on your cooperation in extending every possible assistance to the holders of Fourth Liberty Loan bonds.

Very truly yours,

(Signed) DEAN ACHESON,

Acting Secretary of the Treasury.

TO THE PRESIDENT OF THE BANK OR TRUST COMPANY ADDRESSED.