

FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

[Circular No. 2424]
May 1, 1942]

OFFERING OF TREASURY BONDS

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

The following press statement was made public yesterday by the Secretary of the Treasury:

Secretary Morgenthau announced today that the Treasury's May financing will be in substantially the following form:

1. The Treasury will offer on Monday of next week a 2 per cent bond with a medium maturity in the amount of \$1,250,000,000, or thereabouts. The rules theretofore in effect governing the basis of subscriptions to Government securities will not be applicable. All subscriptions up to \$10,000 will be allotted in full.

2. The Treasury will offer at the same time a 2½ per cent registered bond of longer term. This bond will not be transferable for the first sixty days and it will not be available for subscription by commercial banks accepting demand deposits, nor eligible for purchase by such banks for a period of ten years. The bonds may be pledged as collateral for loans, including loans by commercial banks, but any commercial bank acquiring such securities because of the failure of such loans to be paid at maturity will be required to dispose of them in the same manner as they dispose of other assets not eligible to be owned by banks. The amount of the offering of this security will not be specifically limited. Subscriptions will be allotted in full as received and the offering will remain open for a period longer than customary. Subscriptions may be forwarded to the Federal Reserve Banks through commercial banks and the latter may make payment for the subscription allotted for account of their depositors through the Government's War Loan Account with such banks.

3. Next week the Treasury will offer for payment on Wednesday, May 13, \$250,000,000 in Treasury bills instead of the usual \$150,000,000. An offering of \$250,000,000 each week will continue for the next several weeks. The Treasury is advised that the Federal Open Market Committee has directed the twelve Federal Reserve Banks to purchase for the System Open Market Account all Treasury bills that may be offered to such banks, on a discount basis, at the rate of ¾ per cent per annum.

The offering circulars giving complete details regarding such bonds will be mailed so as to reach you Monday morning, May 4, 1942.

The 2 per cent bonds referred to in paragraph 1 of the foregoing press statement will be offered for general subscription, subject to allotment.

The 2½ per cent registered bonds referred to in paragraph 2 of the press statement should be of particular interest to customers of banks, including insurance companies and other institutional investors, trusts, estates and individuals. It is highly desirable, in order to avoid unnecessary expansion of bank credit and to minimize the inflationary effects of war financing, that as large a proportion as possible of the securities issued to finance the war be sold to investors other than commercial banks. These new 2½ per cent registered bonds provide an appropriate investment for non-bank investors.

It will be appreciated if you will call the attention of your customers promptly to this new type of Government obligation.

ALLAN SPROUL,
President.