

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. 2430]
May 8, 1942]

TREASURY BILLS

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

Enclosed is a copy of this bank's circular No. 2429 containing notice of the offering of Treasury bills dated May 13, 1942, maturing August 12, 1942. The amount of Treasury bills offered is \$250,000,000, whereas in recent weeks the offerings have been for \$150,000,000. This is in accord with the announcement of the Secretary of the Treasury to the press on April 30, 1942, concerning the Treasury's May financing, in which he stated that beginning with the issue dated May 13, the amount of the weekly bill offerings would be \$250,000,000 for the next several weeks.

In recent years there has been a scarcity of high grade short term paper available for temporary investment of the funds of banks, corporations and others, and a plethora of such funds seeking investment. In these circumstances yields on Treasury bills declined to levels so low as to be unattractive to many banks and other investors. With the increase in weekly offerings now announced, however, Treasury bills will be more generally available, and the rise in yields that has occurred during the past six months has made them more attractive investments.

It is believed, therefore, that the larger offerings of these securities will serve a useful purpose in providing employment for funds which banks and others wish to keep in liquid form because of anticipated or possible needs for the funds within relatively short periods. The presence of a larger volume of Treasury bills in the market should be helpful in promoting a better distribution of excess bank reserves, as the shifting of reserves from places where there are large surpluses to points where additional reserves are needed would be facilitated by purchases and sales of these obligations. As an added means of assuring the liquidity of investments in Treasury bills, aside from the short maturity and ready marketability of the securities, the Board of Governors of the Federal Reserve System announced on April 30 that the Federal Open Market Committee had directed the Federal Reserve banks to purchase for the System Open Market Account all Treasury bills that may be offered to them, on a discount basis at the rate of $\frac{3}{8}$ per cent per annum. This arrangement gives assurance to purchasers of Treasury bills that, in case they have a need for cash before the maturity of the bills, they can obtain it by selling Treasury bills to the Federal Reserve Bank, if necessary.

ALLAN SPROUL,
President.