

FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

[Circular No. 3686]
April 5, 1951

Offering of \$1,000,000,000 of 91-Day Treasury Bills

Dated April 12, 1951

Maturing July 12, 1951

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

Following is the text of a notice published today:

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, April 5, 1951.

TREASURY DEPARTMENT
Washington

The Secretary of the Treasury, by this public notice, invites tenders for \$1,000,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing April 12, 1951, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated April 12, 1951, and will mature July 12, 1951, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p.m., Eastern Standard time, Monday, April 9, 1951. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, non-competitive tenders for \$200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on April 12, 1951, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 12, 1951. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under the Internal Revenue Code, or laws amendatory or supplementary thereto. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a)(1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

This Bank will receive tenders up to 2 p.m., Eastern Standard time, Monday, April 9, 1951, at the Securities Department of its Head Office and at its Buffalo Branch. Please use the form on the reverse side of this circular to submit a tender, and return it in an envelope marked "Tender for Treasury Bills." *Payment for the Treasury bills cannot be made by credit through the Treasury Tax and Loan Account. Settlement must be made in cash or other immediately available funds or in maturing Treasury bills.*

ALLAN SPROUL, *President.*

Results of last offering of Treasury bills (91-day bills dated April 5, 1951, maturing July 5, 1951)

Total applied for ..	\$1,642,994,000
Total accepted	\$1,001,004,000 (includes \$98,071,000 entered on a non-competitive basis and accepted in full at the average price shown below)
Average price	99.617 Equivalent rate of discount approx. 1.517% per annum
Range of accepted competitive bids: (excepting one tender of \$100,000)	
High	99.630 Equivalent rate of discount approx. 1.464% per annum
Low	99.614 Equivalent rate of discount approx. 1.527% per annum

<i>Federal Reserve District</i>	<i>Total Applied for</i>	<i>Total Accepted</i>
Boston	\$ 5,910,000	\$ 5,910,000
New York	1,172,863,000	624,663,000
Philadelphia	26,636,000	11,636,000
Cleveland	74,441,000	74,341,000
Richmond	11,837,000	11,837,000
Atlanta	7,630,000	7,630,000
Chicago	205,550,000	139,300,000
St. Louis	13,536,000	11,431,000
Minneapolis	3,183,000	2,948,000
Kansas City	31,322,000	31,322,000
Dallas	31,408,000	21,308,000
San Francisco	58,678,000	58,678,000
Total	\$1,642,994,000	\$1,001,004,000

(95 percent of the amount bid for at the low price was accepted)

IMPORTANT—If you desire to bid on a *competitive* basis, fill in rate per 100 and maturity value in paragraph headed "Competitive Bid." If you desire to bid on a *non-competitive* basis, fill in only the maturity value in paragraph headed "Non-competitive Bid." **DO NOT fill in both paragraphs on one form. A separate tender must be used for each bid.**

No.

TENDER FOR 91-DAY TREASURY BILLS

Dated April 12, 1951

Maturing July 12, 1951

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

Dated at

..... 1951

COMPETITIVE BID

NON-COMPETITIVE BID

Pursuant to the provisions of Treasury Department Circular No. 418, as amended, and to the provisions of the public notice on April 5, 1951, as issued by the Secretary of the Treasury, the undersigned offers* for a total amount of

Pursuant to the provisions of Treasury Department Circular No. 418, as amended, and to the provisions of the public notice on April 5, 1951, as issued by the Secretary of the Treasury, the undersigned offers a non-competitive tender for a total amount of \$.....

(Rate per 100)
\$..... (maturity value)
of the Treasury bills therein described, or for any less amount that may be awarded, settlement therefor to be made at your Bank, on the date stated in the public notice, as indicated below:

(Not to exceed \$200,000)
(maturity value) of the Treasury bills therein described, at the average price (in three decimals) of accepted competitive bids, settlement therefor to be made at your Bank, on the date stated in the public notice, as indicated below:

By surrender of maturing Treasury bills amounting to \$.....

By surrender of maturing Treasury bills amounting to \$.....

By cash or other immediately available funds

By cash or other immediately available funds

*Price must be expressed on the basis of 100, with not more than three decimal places, for example, 99.925.

The Treasury bills for which tender is hereby made are to be dated April 12, 1951, and are to mature on July 12, 1951.

This tender will be inserted in special envelope marked "Tender for Treasury Bills."

Name of Bidder
(Please print)

By
(Official signature required) (Title)

Street Address
.....
(City, Town or Village, P.O. No., and State)

If this tender is submitted by a bank for the account of a customer, indicate the customer's name on line below:
.....
(Name of Customer) (City, Town or Village, P.O. No., and State)

Use a separate tender for each customer's bid.

IMPORTANT INSTRUCTIONS:

1. No tender for less than \$1,000 will be considered, and each tender must be for an even multiple of \$1,000 (maturity value). A separate tender must be executed for each bid.
2. If the person making the tender is a corporation, the tender should be signed by an officer of the corporation authorized to make the tender, and the signing of the tender by an officer of the corporation will be construed as a representation by him that he has been so authorized. If the tender is made by a partnership, it should be signed by a member of the firm, who should sign in the form "....., a copartnership, by , a member of the firm."
3. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.
4. If the language of this tender is changed in any respect, which, in the opinion of the Secretary of the Treasury, is material, the tender may be disregarded.

Payment by credit through Treasury Tax and Loan Account will not be permitted.

FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

April 4, 1951

To All Issuing Agents in the
Second Federal Reserve District:

The letter below is a brief and simple explanation of the options open to holders of Series E Savings Bonds when their bonds mature. We prepared this letter to meet our own needs, but we shall be glad to make copies available to you for distribution to owners of Series E Bonds. You may obtain them without charge by writing to the Savings Bond Department, Federal Reserve Bank of New York, Federal Reserve P. O. Station, New York 45, N. Y.

March 30, 1951.

THREE OPTIONS FOR OWNERS OF SAVINGS BONDS

To Owners of Series E Savings Bonds:

Under the provisions of a new law, you may choose any of the following options when your Series E Savings Bonds mature:

Option 1. You can receive full cash payment of the face amount. Two other choices have been added in a law passed by Congress and signed by the President, but they do not affect in any way your right to payment in cash. You can always cash in your bond at most banks or other paying agents, at a Federal Reserve Bank or branch, or at the United States Treasury.

Option 2. You can continue to hold your bond for another ten years. If you do, it will earn $2\frac{1}{2}$ per cent simple interest a year for the first $7\frac{1}{2}$ years, and then an increased interest rate for the remaining $2\frac{1}{2}$ years, so that the rate for the full ten years is approximately 2.9 per cent compounded semiannually. (For example, a bond bought for \$18.75 ten years ago is now worth \$25; in another ten years it will be worth \$33.33.) If you choose this option, you don't have to do anything when your Series E bond matures; if you just continue to hold it, the life of the bond will be extended automatically. You can, of course, cash the bond at any time during the second ten years. If you do, you will receive the face amount plus the accrued interest. Under this option, you also continue to have the choice of paying income taxes on the interest in the year it is earned, or in the year in which the bonds mature or are redeemed.

Option 3. You can exchange your bond for a Series G Savings Bond, which is registered in your name and earns interest at the rate of $2\frac{1}{2}$ per cent annually. This interest is paid by Treasury check semiannually from the time you get the bond until it matures 12 years later. Unlike the Series E bond, the interest on a Series G bond is subject to income taxes each year. This Series G bond may be redeemed for the face amount at any time during its life (after six months from the issue date upon one calendar month's notice). This bond is designed for those people who would like to have an income from interest payments each year. The smallest denomination in which it is issued, however, is \$500, and therefore you must have at least \$500 in matured Series E bonds to get a Series G bond. Such Series E bonds must have matured within a twelve-month period.

If you would like any additional information about these choices, or about Savings bonds in general, your bank will be glad to help you. The rules governing these options are set forth in Treasury Department Circular No. 885, copies of which are available upon request.

SAVINGS BOND DEPARTMENT