FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

[Circular No. 3692
April 19, 1951]

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

Dated April 26, 1951 **Maturing July 26, 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 19, 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 26, 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 26, 1951, and will mature July 26, 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 23, 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 26, 1951, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 26, 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 23, 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 19, 1951, maturing July 19, 1951)

Total applied for..........$1,929,812,000

Total accepted ....$1,000,486,000 (includes $117,622,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price........ 99.613+ Equivalent rate of discount approx. 1.529% per annum

Range of accepted competitive bids: (excepting one tender of $100,000)

High .... 99.620 Equivalent rate of discount approx. 1.503% per annum

Low .... 99.612 Equivalent rate of discount approx. 1.535% per annum

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

Federal Reserve District	*Total Applied for*	*Total Accepted*
Boston	$ 14,410,000	$ 13,030,000
New York	1,427,442,000	608,817,000
Philadelphia	28,555,000	15,105,000
Cleveland	59,730,000	59,592,000
Richmond	13,570,000	13,570,000
Atlanta	16,033,000	15,343,000
Chicago	190,913,000	126,073,000
St. Louis	16,110,000	14,020,000
Minneapolis	4,758,000	4,545,000
Kansas City	22,246,000	22,246,000
Dallas	39,779,000	32,679,000
San Francisco	96,266,000	75,466,000
TOTAL	$1,929,812,000	$1,000,486,000

(OVER)

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 26, 1951 **Maturing July 26, 1951**

Dated at ....

..............................1951

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

COMPETITIVE BID

Pursuant to the provisions of Treasury Department Circular No. 418, as amended, and to the provisions of the public notice on April 19, 1951, as issued by the Secretary of the Treasury, the undersigned offers

..............................* 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:

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

☐ 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.*

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 19, 1951, as issued by the Secretary of the Treasury, the undersigned offers a non-competitive tender

for a total amount of $..............................
(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 cash or other immediately available funds

The Treasury bills for which tender is hereby made are to be dated April 26, 1951, and are to mature on July 26, 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.

a43692

SECOND DISTRICT COMMERCIAL BANKING
VOLUNTARY CREDIT RESTRAINT COMMITTEE

Created pursuant to the Program for Voluntary Credit Restraint
authorized by the Defense Production Act of 1950

33 LIBERTY STREET
NEW YORK 45, N. Y.

April 20, 1951.

RESTRICTION OF BUSINESS CAPITAL EXPENDITURE FINANCING

Bulletin No. 2 of Voluntary Credit Restraint Committee

To the Chief Executive Officer of each
Commercial Bank in the Second Federal Reserve District:

Following is the text of Bulletin No. 2 of the national Voluntary Credit Restraint Committee, which was released for publication April 23, 1951:

RESTRICTION OF BUSINESS CAPITAL EXPENDITURE FINANCING

The Voluntary Credit Restraint Committee, at its meeting on April 18, 1951, in considering the functioning of the Program to date, discussed the matter of financing for capital expenditures and unanimously adopted the following statement.

American business concerns are currently planning to spend, and are spending, record sums for the enlargement and modernization of their facilities. According to a recent survey of business plans,[1] outlays for new plant and equipment during 1951 may total $24 billion, an increase of 29 per cent from the 1950 level, nearly one-fourth greater than the previous peak expenditure of $19.2 billion in 1948, and three times the dollar expenditures in 1941.

This huge expenditure for capital investment bids fair to exceed the total amount of savings, both corporate and individual, for the next twelve months. Perhaps some substitution of bank credit for savings will be necessary. But at a time like the present when materials and labor are scarce, it becomes imperative, if we desire to curtail inflationary forces, that great care be exercised by financing institutions participating in the Voluntary Credit Restraint Program in extending credit for investment purposes where such an extension does not tend to increase output essential for the defense program.

In non-defense industry, business savings, if not spent on plant and equipment, could be used as working capital to meet payrolls, carry inventories and finance accounts of buyers of their products. This would reduce the need for bank loans and other credit.

Roughly half of the anticipated capital expenditures of business concerns during 1951 may be classed as defense or defense supporting, with emphasis on the latter. Included in these categories are expansion of basic productive capacity in such manufacturing industries as steel, aluminum, and petroleum; additions to electric power generating and transmission facilities; and the purchase of additional rolling stock by the railroads. Every effort should be made to assure availability of materials, equipment and financing essential to the completion of these projects.

On the other hand, approximately half of the capital expenditures planned by business for 1951 falls in a more or less indeterminate class so far as their relationship to the defense effort is concerned. Some are

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1 The survey referred to is that of the U. S. Department of Commerce and the Securities and Exchange Commission.

(OVER)

clearly non-essential and deferrable, while others border closely on the defense-supporting area. There is, for example, the $5.4 billion capital expenditure anticipated by the commercial and miscellaneous group, a large part of which could undoubtedly be postponed without detriment to the defense effort and in the interest of reducing inflationary pressures and conserving labor and materials. Limitations on construction of specific types and Governmental restrictions and allocations of materials should play a large part in curtailing some business plans for capital expenditures and in eliminating others. Thus the responsibility of financing institutions will be limited to those cases whose essentiality has not been predetermined by Government agencies.

Since it may be difficult in individual cases to differentiate essential from non-essential capital expenditures, as well as those which it would be desirable to postpone in the interest of longer-run economic stability, certain tests are suggested to financing institutions cooperating in the Voluntary Credit Restraint Program in making financing decisions. Among the non-essential uses of long-term financing that in the judgment of the Committee might be postponed to a more propitious time are those for such purposes as:

(1) Construction of facilities to improve the competitive position of an individual producer of non-essential goods.

(2) Expansion and modernization expenditures of concerns in distribution or service lines where the distribution or service is not defense supporting.

(3) Expansion and modernization programs for the manufacture of consumer goods not related to the defense effort.

Financing institutions are urged to give equal consideration to the needs of small as well as large business in screening applications for long-term financing.

Additional copies of this letter will be furnished upon request.

George Whitney,
Chairman.

Ht 3692

FEDERAL RESERVE BANK
OF NEW YORK

April 20, 1951.

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Allan Sproul,
President.