FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

[Circular No. 4049
November 26, 1953]

Offering of $1,500,000,000 of 91-Day Treasury Bills

Dated December 3, 1953 — Maturing March 4, 1954

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

Following is the text of a notice published today:

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, November 26, 1953.

TREASURY DEPARTMENT
Washington

The Treasury Department, by this public notice, invites tenders for $1,500,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing December 3, 1953, in the amount of $1,500,482,000, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated December 3, 1953, and will mature March 4, 1954, 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, November 30, 1953. 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 Treasury Department 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 December 3, 1953, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 3, 1953. 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, November 30, 1953, 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." Tenders may be submitted by telegraph, subject to written confirmation; they may not be submitted by telephone. *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 (90-day bills dated November 27, 1953, maturing February 25, 1954)

Total applied for	$2,168,957,000	
Total accepted	$1,501,170,000 (includes $231,261,000 entered on a non-competitive basis and accepted in full at the average price shown below)	
Average price	99.628	Equivalent rate of discount approx. 1.488% per annum
Range of accepted competitive bids:		
High	99.675	Equivalent rate of discount 1.300% per annum
Low	99.625	Equivalent rate of discount 1.500% per annum

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

Federal Reserve District	*Total Applied for*	*Total Accepted*
Boston	$ 27,432,000	$ 26,432,000
New York	1,578,610,000	988,358,000
Philadelphia	26,172,000	11,172,000
Cleveland	46,869,000	46,869,000
Richmond	15,943,000	15,943,000
Atlanta	22,337,000	20,875,000
Chicago	215,636,000	173,071,000
St. Louis	43,237,000	36,937,000
Minneapolis	11,193,000	11,193,000
Kansas City	54,344,000	48,282,000
Dallas	44,565,000	44,565,000
San Francisco	82,619,000	77,473,000
TOTAL	$2,168,957,000	$1,501,170,000

Please note that the results shown above are for 90-day Treasury bills.

(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, except that banks submitting bids on a competitive basis for their own and their customers' accounts may submit one tender for the total amount bid at each price, provided a list is attached showing the name of each bidder, the amount bid for his account, and method of payment. Forms for this purpose will be furnished upon request.

No. ....

TENDER FOR 91-DAY TREASURY BILLS

Dated December 3, 1953 **Maturing March 4, 1954**

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 November 26, 1953, as issued by the Treasury Department, 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.*

Dated at ....

.... 1953

NON-COMPETITIVE BID

Pursuant to the provisions of Treasury Department Circular No. 418, as amended, and to the provisions of the public notice on November 26, 1953, as issued by the Treasury Department, 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 December 3, 1953, and are to mature on March 4, 1954.

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)

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).

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.

H.E. 4049

INTEREST ON DEPOSITS

Time Certificate with Alternate Maturities

Questions have recently been raised as to whether certain forms of time certificates of deposit providing for alternate maturities and increasing rates of interest comply with the requirements of the Board's Regulation Q relating to payment of interest on deposits by member banks.

Under the Supplement to Regulation Q member banks may not pay interest at a rate in excess of 2 1/2 per cent per annum on any time deposit having a maturity date 6 months or more after the date of deposit or payable upon written notice of 6 months or more; in excess of 2 per cent on any time deposit having a maturity date less than 6 months and not less than 90 days after the date of deposit or payable upon written notice of less than 6 months and not less than 90 days; or in excess of one per cent on any time deposit having a maturity date less than 90 days after the date of deposit or payable upon written notice of less than 90 days.

In applying these provisions, it is the Board's position that if a time certificate permits withdrawal at a stated maturity, the maximum rate of interest payable is to be determined by the length of time between the date of issue and the maturity, or if the certificate does not specify a maturity but permits withdrawal after a prescribed period of written notice, the maximum rate of interest is determined by the length of such period of notice. If a certificate permits withdrawal either at a specified maturity or prior to such time after a specified period of written notice, the maximum rate of interest will depend upon which of such withdrawal privileges is elected by the depositor and the rate applicable under the Regulation in the circumstances of the withdrawal privilege so elected.

For example, if a certificate provides for payment 5 years after date of issue with interest at a rate of 2 1/2 per cent, but also provides for earlier payment after 90 days' written notice with interest at a rate of 2 per cent, such a certificate complies with the requirements of Regulation Q. Similarly, such a five-year certificate providing for earlier withdrawal after 30 days' written notice with interest at a rate of one per cent would meet the requirements of the Regulation.

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JULY 1953

(over)

Time Deposit, Open Account, with Alternate Maturities

An inquiry has been received by the Board as to whether the principle stated in its interpretation of Regulation Q relating to "Time Certificates with Alternate Maturities" and published in the 1953 Federal Reserve Bulletin, page 721,* is applicable also in the case of a "time deposit, open account" as defined in section 1(d) of the regulation.

By way of illustration, the inquiry cited a case in which, by the terms of the contract, the deposit would be payable at a stated maturity of 6 months from the date thereof with interest at a rate of 2 1/2 per cent, but with an option on the part of the depositor to withdraw all or part of the deposit at an earlier date either after 30 days' written note with interest at a rate of 1 per cent, or after 90 days' written notice with interest at a rate of 2 per cent.

It is the Board's view that such a deposit could properly be classified as a "time deposit, open account" and that the principle stated in the interpretation referred to above with respect to time certificates of deposit would also be applicable to such a time deposit, open account; in other words, that the maximum permissible rate of interest would depend upon which of the alternate withdrawal privileges is elected by the depositor and the rate applicable under the regulation in the circumstances of the withdrawal privilege so elected. The application of this principle is not affected by the fact that the contract of deposit provides contemporaneous, alternative provisions for withdrawal prior to the stated maturity, either of which the depositor might exercise at his option.

The Board is of the view also that, should the depositor withdraw only a part of the deposit pursuant to exercise of either the 30 days' or the 90 days' written notice provision, it would be permissible for the remainder of the original deposit to bear interest at the 2 1/2 per cent rate for the specified maturity of 6 months.

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* Reprinted on reverse side.

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