FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

[Circular No. 4192
January 27, 1955]

TREASURY FINANCING

*To All Banking Institutions, and Others Concerned,
in the Second Federal Reserve District:*

The following statement was made public today:

The Treasury announced today that on Tuesday, February 1, it will offer holders of the 2⅞ percent Treasury Bonds of 1955-60, called for redemption on March 15, an opportunity to exchange their holdings for a 3 percent 40-year Treasury bond or a 13-month 1⅝ percent Treasury note. Cash subscriptions will not be received.

At the same time holders of the 1⅝ percent Certificates of Indebtedness, maturing February 15, and the 1½ percent Treasury Notes, maturing March 15, will be given the choice of exchanging their holdings for the new 13-month note or a 2 percent 2½-year Treasury note.

The subscription books will be open for three days, Tuesday through Thursday, for these offerings.

Maturing issues	*Eligible for Exchange* (In millions)	*New issues to be dated February 15, 1955*
1⅝% Certificates	$7,007	2% 2½-year Note and 1⅝% 13-month Note
1½% Notes	$5,365	
2⅞% Bonds	$2,611	3% 40-year Bond and 1⅝% 13-month Note

The 13-month Note will mature March 15, 1956
The 2½-year Note will mature August 15, 1957
The 40-year Bond will mature February 15, 1995

Holders of the 2⅞ percent called bonds will be credited with the full six-months' interest to March 15 on the bonds surrendered, they will be charged accrued interest from February 15 to March 15 on the new securities they elect to receive, and they will be paid the difference.

In determining the amount of interest received upon the bonds exchanged, and the exemption to which such interest is entitled, for Federal income tax purposes, the full amount which is allowed as interest on the bonds surrendered in the exchange will be regarded as such to the extent that it accrued to the holder making the exchange, and not as a capital recovery; similarly the amount of interest charged the subscriber on the new securities issued will be regarded as an investment of capital, and therefore upon subsequent recovery of such amount (i.e., upon payment of interest to him on the securities or upon sale or other disposition by him of the securities) as a return of capital and not as interest income.

Exchanges of the maturing certificates will be made par for par as of February 15. Exchanges of the notes maturing March 15 will be made at par with an adjustment of accrued interest as of February 15.

Full information concerning this exchange offering will be released on Monday, January 31.

Allan Sproul,
President.