

FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

[Circular No. 4486]
July 11, 1957

Offering of \$1,600,000,000 of 91-Day Treasury Bills

Dated July 18, 1957

Maturing October 17, 1957

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, July 11, 1957.

TREASURY DEPARTMENT
Washington

The Treasury Department, by this public notice, invites tenders for \$1,600,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing July 18, 1957, in the amount of \$1,600,396,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated July 18, 1957, and will mature October 17, 1957, 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, one-thirty o'clock p.m., Eastern Daylight Saving time, Monday, July 15, 1957. 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, noncompetitive 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 July 18, 1957, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 18, 1957. 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, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are 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 is considered to be interest. Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is not considered to accrue until such bills are 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, Revised, 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 1:30 p.m., Eastern Daylight Saving time, Monday, July 15, 1957, 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.*

ALFRED HAYES, *President.*

Results of last offering of Treasury bills (91-day bills dated July 11, 1957, maturing October 10, 1957)

Total applied for	... \$2,408,194,000		
Total accepted \$1,600,004,000 (includes \$386,762,000 entered on a noncompetitive basis and accepted in full at the average price shown below)		
Range of accepted competitive bids:			
High 99.206	Equivalent rate of discount approx. 3.141% per annum	
Low 99.195	Equivalent rate of discount approx. 3.185% per annum	
Average 99.198	Equivalent rate of discount approx. 3.171% per annum	
(99 percent of the amount bid for at the low price was accepted)			
		<i>Federal Reserve District</i>	<i>Total Applied for</i>
		Boston	\$ 34,001,000
		New York	1,672,591,000
		Philadelphia	41,748,000
		Cleveland	73,159,000
		Richmond	17,918,000
		Atlanta	52,528,000
		Chicago	235,048,000
		St. Louis	54,785,000
		Minneapolis	16,666,000
		Kansas City	62,534,000
		Dallas	31,318,000
		San Francisco	115,898,000
		Total	\$2,408,194,000
			\$1,600,004,000

37 R **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 *noncompetitive* basis, fill in only the maturity value in paragraph headed "Noncompetitive Bid." **DO NOT fill in both paragraphs on one form.** A separate tender must be used for each bid, except that commercial banks submitting bids for their customers' accounts may consolidate competitive tenders *at the same price* and may consolidate noncompetitive tenders, 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 on request.

No.

TENDER FOR 91-DAY TREASURY BILLS

Dated July 18, 1957

Maturing October 17, 1957

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

Dated at
..... 1957

COMPETITIVE BID

Pursuant to the provisions of Treasury Department Circular No. 418, Revised, and to the provisions of the public notice on July 11, 1957, as issued by the Treasury Department, the undersigned offers* for a
(Rate per 100)

total amount of \$..... (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.

The Treasury bills for which tender is hereby made are to be dated July 18, 1957, and are to mature on October 17, 1957.

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.

at 4486

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, N.Y.

RECTOR 2-5700

July 11, 1957

Classification of Deposits of Certain Organizations
as Savings Deposits

To Member Banks in the
Second Federal Reserve District:

Enclosed is a reprint of a ruling by the Board of Governors of the Federal Reserve System on the classification of deposits of certain organizations as savings deposits, as defined in Regulations Q and D. This ruling, which appeared in the Federal Reserve Bulletin of November 1937, was sent to member banks with our Circular No. 1793, dated November 5, 1937.

In response to recent inquiries from member banks concerning the classification of deposits, we have reprinted the ruling in a more convenient form so that it can be kept with the currently effective Regulations of the Board of Governors.

Additional copies of the reprint will be furnished upon request.

Very truly yours,



Arthur Phelan,
Vice President.

Classification of Deposits of Certain Organizations as Savings Deposits

The definition of savings deposits in Regulation Q, which relates to payment of interest on deposits, and in Regulation D, which relates to reserves of member banks, reads in part as follows:

"The term 'savings deposit' means a deposit, evidenced by a pass book, consisting of funds (i) deposited to the credit of one or more individuals, or of a corporation, association or other organization operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes and not operated for profit, or (ii) in which the entire beneficial interest is held by one or more individuals or by such a corporation, association or other organization, * * *."

It will be noted that under this definition member banks may classify deposits of one or more individuals as savings deposits if the deposits comply in other respects with the regulation; but they may not classify deposits of any corporation, association or other organization as savings deposits unless (1) such organization is operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes; (2) such organization is not operated for profit; and (3) such deposits comply in other respects with the requirements of the regulation.

With respect to many organizations such as churches, charity hospital associations, fraternal orders and endowed educational institutions which are not operated for profit, no questions have arisen since such organizations are obviously operated for religious, philanthropic, charitable, educational, fraternal or other similar purposes. However, numerous questions have arisen as to whether deposits of certain other types of organizations which are near the border-line of the definition may be classified by member banks as savings deposits. The Board has given careful study to these questions and has reached the conclusion that the types of organizations set forth below may be considered to be operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes and, therefore, that deposits of such organizations may be classified by member banks as savings deposits if the organizations are not operated for profit and if the deposits otherwise comply with the requirements of the definition.

Professional associations, such as bar, medical, and dentists' associations.

Trade associations, including manufacturers' associations, retailers' associations, and chambers of commerce.

Business men's clubs, such as Rotary Clubs and Kiwanis Clubs.

Recreational clubs, such as golf and tennis clubs.

Social clubs, such as luncheon clubs and college fraternities.

Labor unions of the usual type.

Volunteer fire companies and ladies auxiliaries thereof.

Cemetery associations.

School districts.

Police or firemen's pension or relief associations (including a special fund held by a political subdivision to provide pensions for police or firemen).

American Automobile Association, Retired Officers Association, and other similar organizations.

The Board has also reached the conclusion that deposits of the organizations listed below may not be classified by member banks as savings deposits either because the organizations are not operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes or because they are operated for profit.

Building and loan associations.

Mutual or cooperative fire or life insurance associations.

Reciprocal or inter-insurance associations.

Cooperative marketing associations, such as citrus growers or dairymen's cooperative marketing associations.

Credit unions, Federal or State.

States and municipalities and other political subdivisions thereof (except school districts) including departments, boards, and commissions of such political subdivisions.

Although deposits of the types of organizations listed immediately above may not be classified by member banks as savings deposits for the purpose of payment of interest or of computation of reserves, attention is invited to the fact that any of such organizations may maintain time deposits with member banks. With respect to such deposits, which may be either in the form of time certificates of deposit or time deposits open account, member banks may pay interest in accordance with the provisions of Regulation Q and maintain reserves in accordance with the provisions of Regulation D relating to time deposits.

The above lists of organizations which may or may not maintain savings deposits in member banks are not intended to be complete but merely contain examples compiled from various cases which have been submitted to the Board. Any necessary inquiry as to the proper classification of other organizations for this purpose should be submitted directly to the Federal Reserve bank of the district in which the inquiry arises rather than to the Board. The Federal Reserve banks will, in so far as possible, answer such questions in the light of the illustrative cases stated above.

The above ruling of the Board of Governors of the Federal Reserve System is reprinted from the Federal Reserve Bulletin of November 1937, and Circular No. 1793, dated November 5, 1937 of the Federal Reserve Bank of New York.