

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

[Circular No. 4846]
January 21, 1960]

OFFERING OF TWO SERIES OF TREASURY BILLS

\$1,000,000,000 of 91-Day Bills, Additional Amount, Series Dated Oct. 29, 1959, Due April 28, 1960
(To Be Issued January 28, 1960)

\$400,000,000 of 182-Day Bills, Dated January 28, 1960, Due July 28, 1960

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

Following is the text of a notice issued by the Treasury Department, released for publication in morning newspapers, Thursday, January 21, 1960:

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of \$1,400,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing January 28, 1960, in the amount of \$1,400,773,000, as follows:

91-day bills (to maturity date) to be issued January 28, 1960, in the amount of \$1,000,000,000, or thereabouts, representing an additional amount of bills dated October 29, 1959, and to mature April 28, 1960, originally issued in the amount of \$400,794,000, the additional and original bills to be freely interchangeable.

182-day bills, for \$400,000,000, or thereabouts, to be dated January 28, 1960, and to mature July 28, 1960.

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their 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 Standard time, Monday, January 25, 1960. 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 for the additional bills dated October 29, 1959, (91 days remaining until maturity date on April 28, 1960) and noncompetitive tenders for \$100,000 or less for the 182-day bills without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on January 28, 1960, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 28, 1960. 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 for both series up to 1:30 p.m., Eastern Standard time, Monday, January 25, 1960, at the Securities Department of its Head Office and at its Buffalo Branch. Tender forms for the respective series are enclosed. Please use the appropriate forms to submit tenders and return them 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.*

Results of the last offering of Treasury bills (91-day bills to be issued January 21, 1960, representing an additional amount of bills dated October 22, 1959, and maturing April 21, 1960; and 182-day bills dated January 21, 1960, maturing July 21, 1960) are shown on the reverse side of this circular.

ALFRED HAYES,
President.

RESULTS OF LAST OFFERING OF TREASURY BILLS (TWO SERIES ISSUED JANUARY 21, 1960)

Range of Accepted Competitive Bids

	<i>91-Day Treasury Bills Maturing April 21, 1960</i>		<i>182-Day Treasury Bills Maturing July 21, 1960</i>	
	<u>Price</u>	<u>Approx. equiv. annual rate</u>	<u>Price</u>	<u>Approx. equiv. annual rate</u>
High	98.886	4.407%	97.650 ^a	4.648%
Low	98.875	4.451%	97.636	4.676%
Average	98.879	4.436% ¹	97.641	4.665% ¹

^a Excepting one tender of \$24,000.

¹ Average rate on a coupon issue equivalent yield basis is 4.56% for the 91-day bills and 4.86% for the 182-day bills. Interest rates on bills are quoted on the basis of bank discount, with their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed on the basis of interest on the investment, with the number of days remaining in a semiannual interest payment period related to the actual number of days in the period, and with semiannual compounding if more than one coupon period is involved.

(59 percent of the amount of 91-day bills bid for at the low price was accepted.)

(54 percent of the amount of 182-day bills bid for at the low price was accepted.)

Total Tenders Applied for and Accepted (By Federal Reserve Districts)

<u>District</u>	<i>91-Day Treasury Bills Maturing April 21, 1960</i>		<i>182-Day Treasury Bills Maturing July 21, 1960</i>	
	<u>Applied for</u>	<u>Accepted</u>	<u>Applied for</u>	<u>Accepted</u>
Boston	\$ 33,763,000	\$ 20,833,000	\$ 4,711,000	\$ 4,606,000
New York	1,363,199,000	641,536,000	704,552,000	285,126,000
Philadelphia	32,712,000	17,162,000	7,394,000	2,394,000
Cleveland	43,073,000	28,583,000	18,548,000	11,996,000
Richmond	15,080,000	13,617,000	6,088,000	5,038,000
Atlanta	22,701,000	19,335,000	5,765,000	4,516,000
Chicago	182,547,000	105,434,000	68,348,000	32,944,000
St. Louis	30,372,000	24,570,000	15,166,000	10,156,000
Minneapolis	12,195,000	9,772,000	4,333,000	2,832,000
Kansas City	50,328,000	36,578,000	8,710,000	8,143,000
Dallas	22,337,000	21,437,000	7,402,000	6,858,000
San Francisco	70,097,000	61,830,000	36,482,000	25,532,000
Total	<u>\$1,878,404,000</u>	<u>\$1,000,687,000^b</u>	<u>\$887,499,000</u>	<u>\$400,141,000^c</u>

^b Includes \$286,022,000 noncompetitive tenders accepted at the average price of 98.879.

^c Includes \$80,622,000 noncompetitive tenders accepted at the average price of 97.641.

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FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, N.Y.

January 20, 1960

To Presidents of the
Federal Reserve Banks:

In view of the Board's decision not to accept the Presidents' recommendation that the furnishing of free wrapped coin on a limited basis be permitted to continue at any Reserve Bank which feels that the imposition of charges might create substantial bank relations problems, I thought you might like to know that we have decided to discontinue our coin-wrapping operation.

Enclosed for your information is a copy of a letter which I am addressing to the member banks in the head office territory now receiving wrapped coin from this Bank. A similar letter will be addressed to member banks in our Buffalo Branch territory by the Vice President in charge of that branch.

ALFRED HAYES,
President.

Enclosure

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, N.Y.

January 20, 1960

To the Banking Office Addressed:

This Bank has been furnishing a limited amount of wrapped coin to smaller banks and out-of-town branches. This service was inaugurated many years ago for smaller banks (originally banks with demand deposits under \$1 million) to provide enough wrapped coin for their internal needs; the cost of wrapping coin by hand was considerably in excess of the cost of machine-wrapping, and the small amount needed at that time probably did not justify the purchase of a machine. The situation has changed substantially since then. Banks generally have grown larger, their customers' demand for wrapped coin has increased, and inexpensive coin-wrapping equipment, suitable to the needs of smaller banks, has become readily available. After a long and careful study of the matter by the Federal Reserve System, it has been decided that it is inappropriate for a Federal Reserve Bank to furnish wrapped coin to banks without charge.

Some of the other Reserve Banks will furnish wrapped coin at a charge which recovers their wrapping costs. We have concluded that we should not provide wrapped coin at a charge because (a) there is no substantial economy in centralizing coin-wrapping in New York City with its relatively high cost of space and personnel; (b) the cost to individual banks of wrapping coin is small when it can be done in the spare time of its employees; and (c) centralization would wastefully increase the cost of shipping coin into and out of New York City.

In order to minimize the hardship that this change may impose upon you and to give your bank ample opportunity to consider the various wrapping equipment that is available, we shall continue to furnish coin to those banks and branches now receiving it until they have made other arrangements, but in no case beyond September 30, 1960. The members of our Bank Relations Department will be glad to furnish you with information about available wrapping equipment and to suggest simplified procedures for its use.



President