FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

[Circular No. 4896
June 6, 1960]

TREASURY FINANCING

Advance Refunding of 2½ Percent Treasury Bonds of 1961

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

The following statement was made public today by the Treasury Department:

The Treasury Department is for the first time, in respect to marketable securities, making use of advance refunding legislation passed last fall in offering holders of a specific issue of marketable bonds the option, well in advance of maturity, to exchange such bonds for either a marketable note or bond of longer maturity.

Accordingly, the Treasury Department is offering the holders of $11,177,152,000 of the outstanding 2½ percent Treasury bonds maturing November 15, 1961, the option to exchange them during the period from June 8 to June 13, inclusive, for like face amounts of either 3¾ percent Treasury notes maturing May 15, 1964 or 3⅞ percent Treasury bonds maturing May 15, 1968.

Exchange subscriptions to the 3¾ percent notes of May 15, 1964 are invited up to an amount not to exceed $3½ billion, and subscriptions to the 3⅞ percent bonds of 1968 are invited up to an amount not to exceed $1½ billion. However, if subscriptions to the respective issues exceed these amounts by more than 10 percent, they will be subject to allotment. As is customary, the lowest denominations of the new note will be $1,000 and of the new bond will be $500.

The new 3¾ percent notes and 3⅞ percent bonds will be dated and bear interest from June 23, 1960, payable on November 15 and May 15. Accrued interest from May 15, 1960 to June 23, 1960 on the 2½ percent bonds of November 15, 1961 will be paid on the bonds accepted for exchange.

No gain or loss shall be recognized for Federal income tax purposes upon the exchange of the 2½ percent bonds of 1961. The official offering circulars applicable to the new notes and new bonds contain the following provision:

> "Pursuant to the provisions of section 1037(a) of the Internal Revenue Code of 1954 as added by Public Law 86-346 (approved September 22, 1959), the Secretary of the Treasury hereby declares that no gain or loss shall be recognized for Federal income tax purposes upon the exchange with the United States of the 2½ percent Treasury Bonds of 1961 solely for the 3¾ percent Treasury Notes of Series D-1964 (or 3⅞ percent Treasury Bonds of 1968). Gain or loss, if any, upon the obligations surrendered in exchange will be taken into account upon the disposition or redemption of the new obligations."

Exchange subscriptions to the new 3¾ percent Treasury notes maturing May 15, 1964, and to the new 3⅞ percent bonds maturing May 15, 1968, will be received subject to allotment, and will be received from banking institutions for their own account, Federally insured savings and loan associations, States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, Government Investment Accounts, and the Federal Reserve System without deposit. Subscriptions from all others must be accompanied by the deposit of 2½ percent bonds of 1961 in the amount of not less than 10 percent of the face amount of the notes or bonds applied for.

The Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation have indicated that they intend to issue rulings advising banks under their supervision that they may place the securities received in exchange on their books at an amount not greater than the amount at which the securities being tendered by them for exchange are carried on their books.

The subscription books will be open only on June 8 to June 13, inclusive, for the receipt of subscriptions for the new issues. Any subscription for the new notes or bonds addressed to a Federal Reserve Bank or Branch or to the Treasurer of the United States and placed in the mail before midnight, June 13, will be considered as timely.

Circulars and subscription forms for the above offering will be mailed to reach you by Wednesday, June 8. The subscription books will remain open *from Wednesday, June 8, through Monday, June 13.*

Alfred Hayes,
President.