

FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

[Circular No. 5085]
[September 13, 1961]

OFFERING OF TWO SERIES OF TREASURY BILLS

**\$1,100,000,000 of 91-Day Bills, Additional Amount, Series Dated June 23, 1961, Due Dec. 21, 1961
(To Be Issued September 21, 1961)**

\$600,000,000 of 182-Day Bills, Dated September 21, 1961, Due March 22, 1962

*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 today at 4 p.m., Eastern Daylight Saving time:

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of \$1,700,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing September 21, 1961, in the amount of \$1,701,237,000, as follows:

91-day bills (to maturity date) to be issued September 21, 1961, in the amount of \$1,100,000,000, or thereabouts, representing an additional amount of bills dated June 23, 1961, and to mature December 21, 1961, originally issued in the amount of \$500,767,000, the additional and original bills to be freely interchangeable.

182-day bills, for \$600,000,000, or thereabouts, to be dated September 21, 1961, and to mature March 22, 1962.

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 Daylight Saving time, Monday, September 18, 1961. 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

This Bank will receive tenders for both series up to 1:30 p.m., Eastern Daylight Saving time, Monday, September 18, 1961, 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 September 14, 1961, representing an additional amount of bills dated June 15, 1961, and maturing December 14, 1961; and 182-day bills dated September 14, 1961, maturing March 15, 1962) are shown on the reverse side of this circular.

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 June 23, 1961 (91 days remaining until maturity date on December 21, 1961) 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 September 21, 1961, in cash or other immediately available funds or in a like face amount of Treasury bills maturing September 21, 1961. 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.

ALFRED HAYES,
President.

(OVER)

FEDERAL RESERVE BANK OF NEW YORK
**RESULTS OF LAST OFFERING OF TREASURY BILLS (TWO SERIES TO BE ISSUED
 SEPTEMBER 14, 1961)**

Range of Accepted Competitive Bids

<i>91-Day Treasury Bills Maturing December 14, 1961</i>			<i>182-Day Treasury Bills Maturing March 15, 1962</i>		
	<u>Price</u>	<u>Approx. equiv. annual rate</u>		<u>Price</u>	<u>Approx. equiv. annual rate</u>
High	99.418 ^a	2.302%		98.654	2.662%
Low	99.408	2.342%		98.636	2.698%
Average	99.412	2.328% ¹		98.643	2.685% ¹

^a Excepting one tender of \$75,000.

¹ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.37 percent for the 91-day bills, and 2.76 percent for the 182-day bills. Interest rates on bills are quoted in terms of bank discount, with the return related to the face amount of the bills payable at maturity rather than the amount invested, and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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

(89 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 December 14, 1961</i>		<i>182-Day Treasury Bills Maturing March 15, 1962</i>	
	<u>Applied for</u>	<u>Accepted</u>	<u>Applied for</u>	<u>Accepted</u>
Boston	\$ 32,579,000	\$ 22,704,000	\$ 2,874,000	\$ 1,811,000
New York	1,553,773,000	714,893,000	909,701,000	505,459,000
Philadelphia	38,746,000	14,581,000	7,971,000	2,580,000
Cleveland	35,996,000	28,323,000	18,809,000	18,648,000
Richmond	16,514,000	14,514,000	3,757,000	3,757,000
Atlanta	24,800,000	19,411,000	4,186,000	3,446,000
Chicago	244,432,000	170,317,000	78,599,000	38,449,000
St. Louis	25,240,000	18,102,000	4,746,000	3,691,000
Minneapolis	24,517,000	19,517,000	5,626,000	3,126,000
Kansas City	47,640,000	34,310,000	6,878,000	6,723,000
Dallas	13,083,000	12,783,000	3,361,000	3,261,000
San Francisco	78,771,000	31,481,000	28,899,000	9,571,000
Total	\$2,136,091,000	\$1,100,936,000^b	\$1,075,407,000	\$600,522,000^c

^b Includes \$248,531,000 noncompetitive tenders accepted at the average price of 99.412.

^c Includes \$49,808,000 noncompetitive tenders accepted at the average price of 98.643.

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, N.Y.

RECTOR 2-5700

September 14, 1961

To the Chief Executive Officer of Each Member Bank
in the Second Federal Reserve District:

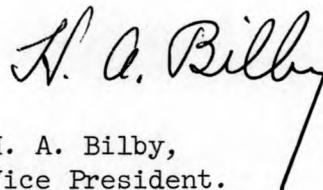
In the belief that you will find the information of interest, I have summarized below the responses to the questionnaire that accompanied my letter to you of August 3 regarding the proposal that municipal bonds in bearer form be issued in the \$5,000 denomination as well as in the conventional \$1,000 denomination.

Responses from two-thirds of the member banks in the Second Federal Reserve District indicate that virtually all member banks could adapt to the \$5,000 unit in purchasing and selling bonds for their own account. Roughly one-half of the responding banks (primarily the larger institutions) could purchase and sell municipal bonds for the account of their customers in units of \$5,000. An equal number of member banks (chiefly the smaller institutions) believe that the \$1,000 denomination is needed to meet the investment needs of some customers.

In responding to the questionnaire, many member banks expressed vigorous support of the proposal for the issuance of bonds in the \$5,000 denomination. Taking into account the results of a recent similar nationwide survey by the American Banker, we feel reasonably sure that banking institutions generally would welcome action by the issuers of both municipal and corporate bonds to make them available in denominations of \$5,000 in addition to \$1,000, as specified by the successful bidders, in order to meet the investment requirements of banks and their customers. Accordingly, we are going to bring the survey to the attention of such associations of municipal officers, investment bankers, and banking institutions, as may have an interest in the subject.

I shall be glad to hear any suggestions you might have concerning how we might promote the issuance of both municipal and corporate bonds in larger denominations.

Very truly yours,



H. A. Bilby,
Vice President.

AT 5085 A

FEDERAL RESERVE BANK
OF NEW YORK

September 18, 1961

PROPOSED AMENDMENTS TO REGULATIONS Q AND D

To All Member Banks of the
Second Federal Reserve District:

The Board of Governors of the Federal Reserve System is considering proposed amendments to its Regulation Q, Payment of Interest on Deposits, and its Regulation D, Reserves of Member Banks. The purposes of the amendments to Regulation Q are (1) to prevent certain practices that facilitate the use of a savings deposit as a regular means for drawing checks on the depository bank, and (2) to add certain liberalizing provisions that would permit payment of a savings deposit to anyone holding title to the deposit in a fiduciary capacity or pursuant to a court order, or as security for credit extended to the depositor. The purpose of the amendment to Regulation D is to conform the definition of "savings deposits" as contained in Regulation D to the proposed definition of this term in Regulation Q.

Printed on the reverse side of this letter is an excerpt from the Federal Register of September 14, 1961, containing the Notice of Proposed Rule Making, and setting forth the reasons for, and the text of, the proposed amendments. The notice states that the Board of Governors will consider any relevant data, views, or arguments that may be received in writing not later than 30 days after September 14. Any comments you may have should be sent to this Bank, for transmittal to the Board of Governors.

Notice of similar amendments to regulations of the Federal Deposit Insurance Corporation, relating to the payment of deposits and interest thereon by insured nonmember banks and to assessments, has also been published in the Federal Register of September 14.

HOWARD D. CROSSE,
Vice President.

(over)

PROPOSED RULE MAKING

FEDERAL RESERVE SYSTEM

[12 CFR Parts 204, 217]

[Regs. D, Q]

RESERVES OF MEMBER BANKS; PAYMENT OF INTEREST ON DEPOSITS

Notice of Proposed Rule Making

The Board of Governors is considering amending paragraph (e) of § 217.1, which defines savings deposits under Part 217, relating to the payment of interest on deposits, and paragraph (e) of § 204.1, which defines savings deposits under Part 204, relating to reserves of member banks.

The purposes of the amendments to Part 217 are (1) to prevent certain practices that facilitate the use of a savings deposit as a regular means for drawing checks on the depository bank, and (2) to add certain liberalizing provisions which would permit payment of a savings deposit to anyone holding title to the deposit in a fiduciary capacity or pursuant to court order, or as security for credit extended to the depositor. The purpose of the amendment to Part 204 is to conform the definition of "savings deposits" as contained in this part to the proposed definition of this term in Part 217.

The proposed amendment to § 217.1 is as follows:

§ 217.1 Definitions.

* * * * *

(e) Savings deposits. (1) the term "savings deposit" means a deposit:

(i) Which consists of funds 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;4 or in which the entire beneficial interest is held by one or more individuals or by such a corporation, association, or other organization; and

4 Deposits in joint accounts of two or more individuals may be classified as savings deposits if they meet the other requirements of the above definition but deposits of a partnership operated for profit may not be so classified. Deposits to the credit of an individual of funds in which any beneficial interest is held by a corporation, partnership, association, or other organization operated for profit or not operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes may not be classified as savings deposits.

(ii) With respect to which the depositor is required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than 30 days before such withdrawal is made.

(2) Subject to the provisions of subparagraph (3) of this paragraph, a member bank may permit withdrawals to be made from a savings deposit only through payment5 to the depositor himself (but not to any other person whether or not acting for the depositor), except:

(i) Where the deposit is represented by a pass book, to any person presenting the pass book;5

(ii) To an executor, administrator, trustee, or other fiduciary holding the savings deposit as part of a fiduciary estate;

(iii) To any person, including the depository bank, that has extended credit to the depositor on the security of the savings deposit, where such payment is made in order to enable the creditor to realize upon such security; or

(iv) Pursuant to the order of a court of competent jurisdiction.

(3) Notwithstanding the provisions of subparagraph (2) of this paragraph, no withdrawal shall be permitted by a member bank to be made from a savings deposit received after [effective date] through payment to the bank itself or through transfer of credit to a demand or other deposit account of the same depositor if such payment or transfer is made pursuant to any advertised plan or any agreement, written or oral, (i) which authorizes such payments or transfers of credit to be made as a normal practice in order to cover checks or drafts drawn by the depositor upon the bank, or (ii) which provides that such payments or transfers of credit shall be made at daily, monthly, or other such periodic intervals, except where made to enable the bank, on the depositor's behalf and pursuant to his written instructions, to effect the payment of taxes, insurance premiums, or installments of principal, interest, or other charges due on an indebtedness of the depositor.

(4) Where a savings deposit is evidenced by a pass book, every withdrawal

5 Payment from a savings deposit or presentation of a pass book may be made over the counter, through the mails, or otherwise.

made upon presentation of the pass book shall be entered in the pass book at the time of withdrawal, and every other withdrawal from such a deposit shall be entered in the pass book as soon as practicable after the withdrawal is made.

The proposed amendment to § 204.1 is as follows:

§ 204.1 Definitions.

(e) Savings deposits. The term "savings deposit" means a deposit:

(1) Which consists of funds 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;4 or in which the entire beneficial interest is held by one or more individuals or by such a corporation, association, or other organization; and

(2) With respect to which the depositor is required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than 30 days before such withdrawal is made.

This notice is published pursuant to section 4 of the Administrative Procedure Act and section 2 of the rules of procedure of the Board of Governors of the Federal Reserve System (12 CFR 262.2). The proposed changes are authorized under the authority cited at 12 CFR Part 217.

To aid in the consideration of the foregoing matter, the Board will be glad to receive from interested persons any relevant data, views, or arguments. Although such material may be sent directly to the Board, it is preferable that it be sent to the Federal Reserve Bank of the district which will forward it to the Board to be considered. All such material should be submitted in writing to be received not later than 30 days after publication of this notice in the FEDERAL REGISTER.

Dated at Washington, D. C., this 8th day of September 1961.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,

[SEAL] MERRITT SHERMAN, Secretary.

[F.R. Doc. 61-8802; Filed, Sept. 13, 1961; 8:53 a.m.]