

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, N.Y.

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FISCAL AGENT OF THE UNITED STATES

November 14, 1962

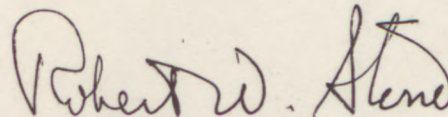
Presidents of Federal Reserve Banks
and Vice Presidents in charge of Branches

Dear Sirs:

In connection with the Treasury's current plans for selling Treasury bonds through competitive bidding, the Treasury has prepared proposed regulations governing such offerings which are to be filed with the Federal Register on Thursday, November 15, for publication on Friday, November 16, and released to the press at 4:00 p.m. on Thursday. Since the interest in these proposed regulations will probably be limited, the Treasury will not request general distribution of this material by the Federal Reserve Banks to their mailing lists, but has requested this Bank to print copies for distribution to interested syndicates and others. At the Treasury's request we are mailing you herewith a small supply of "Notice of Proposed Rule Making," "Regulations Governing the Sale of Treasury Bonds through Competitive Bidding," and "Public Notice of Invitation to Bid." The Treasury requests that these documents, which are largely self-explanatory, be held in confidence until 4:00 p.m., Eastern Standard time, Thursday, November 15, after which they may be distributed to anyone upon request.

If you should need more copies, we shall be glad to furnish them upon receipt of request by wire or letter.

Very truly yours,



Robert W. Stone,
Vice President.

(To be published in Federal Register of November 16, 1962)

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, November 15, 1962

NOTICE OF PROPOSED RULE MAKING

Notice is hereby given, pursuant to the Administrative Procedure Act, approved June 11, 1946, that regulations concerning the sale of Treasury bonds through competitive bidding are proposed to be prescribed by the Secretary of the Treasury in a Treasury Department Circular entitled "REGULATIONS GOVERNING THE SALE OF TREASURY BONDS THROUGH COMPETITIVE BIDDING" in the form tentatively shown below. An example of a "PUBLIC NOTICE OF INVITATION TO BID" on such bonds is also published herewith. However, prior to final adoption, consideration will be given to any data, views, or arguments pertaining thereto, which are submitted in writing, in duplicate, to the Office of Debt Analysis, Room 3036, Treasury Department, Washington 25, D. C., within the period of thirty days from the date of this notice.

DOUGLAS DILLON,
Secretary of the Treasury.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, November 15, 1962

Department Circular
Public Debt Series No. 60-62

REGULATIONS GOVERNING THE SALE OF TREASURY BONDS THROUGH COMPETITIVE BIDDING

Sec. 000.0. *Authority for sale of Treasury bonds through competitive bidding.*—The Secretary of the Treasury may, from time to time, by public notice, offer Treasury bonds for sale and invite bids therefor. The bonds so offered and the bids made will be subject to the terms and conditions and the rules and regulations herein set forth, except as they may be modified in the public notice or notices issued by the Secretary in connection with particular offerings.¹ The bonds will be subject also to the general rules and regulations of the Treasury Department, now or hereafter prescribed, governing United States securities. They will be issued pursuant to the authority of the Second Liberty Bond Act, as amended.

AUTHORITY: R.S. 3706; 40 Stat. 288, 290, 1308; 48 Stat. 343; 50 Stat. 481; 31 U.S.C. 738a, 739, 752, 752a, 753, 754, 754a and 754b.

The terms "public notice," "notices," or "announcement" as used herein mean the "Public Notice of Invitation to Bid" on Treasury bonds and any supplementary or amendatory notices or announcements with respect thereto.

Sec. 000.1. *Public notice—description of bonds—terms of offer.*—When bonds are

¹ These regulations do not apply to Treasury bills, which are governed by Department Circular No. 418, Revised, and do not constitute a specific offering of bonds.

offered for sale through competitive bidding, bids therefor will be invited through the form of a public notice or notices issued by the Secretary of the Treasury. The notice or notices will set forth the terms and conditions of the bonds, including maturities, call features, if any, and the terms and conditions of the offer, including the amount of the issue for which bids are invited, the coupon rate or rates of interest which will be subject to bidding, the date and closing hour for receipt of bids, and the date on which payment for any accepted bid must be completed. When so specified in the public notice, it shall be a condition of each bid that, if accepted by the Secretary of the Treasury, the bidder will make a *bona fide* reoffering to the investing public.

Sec. 000.2. *Denominations and exchanges.*

—Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be available in denominations of \$500, \$1,000, \$5,000, \$10,000, \$100,000, and \$1,000,000. Provisions will be made for the interchange of bonds of different denominations and of bearer and registered bonds, and for the transfer of registered bonds.

Sec. 000.3. *Taxation.*—The income derived from the bonds will be subject to all taxes imposed under the Internal Revenue Code of 1954. The bonds will be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but will be 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.

Sec. 000.4. *Acceptance as security for public deposits.*—The bonds will be acceptable to secure deposits of public moneys.

Sec. 000.5. *Notice of intent to bid.*—Any individual, organization, syndicate, or other group of any kind, which intends to submit a bid, must, when required by the public notice, give written notice of such intent at the place and within the time specified in the public notice. The filing of such notice will not constitute a commitment to bid.

Sec. 000.6. *Submission of bids.*

(a) *General.*—Bids will be received only at the place specified and not later than the time designated in the public notice. Each bid must be submitted in duplicate on the official form referred to in the public notice and should be enclosed and sealed in the special envelope prescribed by the Treasury Department. Forms and envelopes may be obtained from any Federal Reserve Bank or Branch or the Bureau of the Public Debt, Treasury Department, Washington 25, D. C. Bids shall be irrevocable.

(b) *Bidding.*—Bids, except noncompetitive bids when authorized, must be expressed as a percentage of the principal amount in not to exceed five decimals, *e.g.*, 100.01038%. Provisions relating to the coupon rate or rates of interest on the bonds, if not set forth in the public notice, will be made in a supplemental announcement. The public notice will indicate the timing of any such announcement. If the bidders are permitted to specify the coupon rate, each bidder shall

specify a single coupon rate of interest, which shall be a multiple of $\frac{1}{8}$ of 1 percent but not in excess of $4\frac{1}{4}$ percent. The Secretary of the Treasury may limit the premium above or the discount below par.

(c) *Group bids.*—A syndicate or other group submitting a bid must act through a representative who must be a member of the group. The representative must warrant to the Secretary of the Treasury that he has all necessary power and authority to act for each of the several members of the group. In addition to whatever other data may be required by the Secretary of the Treasury, in the case of a syndicate the bid must state the name of each member and the amount of each member's participation. In the event of changes in the composition of syndicate membership and the amount of any member's participation, notice of such changes shall be filed promptly at the place specified in the public notice for the receipt of bids.

Sec. 000.7. *Deposits—retention—return.*

—Each bid must be accompanied by a deposit in the amount specified in the public notice. The deposit of any successful bidder will be retained as security for the performance of his obligation and will be applied toward payment of the bonds. All other deposits will be returned immediately. No interest will be allowed on account of the deposits.

Sec. 000.8. *Acceptance of bids.*

(a) *Opening of bids.*—Bids will be opened at the time and place specified in the public notice, and each bid accepted will be announced on the date of the opening within the time specified in the notice. Bidders or their representatives may attend the opening of the bids.

(b) *Method of determining accepted bids.*—The lowest basis cost of money² computed from the date of the bonds to the date of maturity will be used in determining successful bids.

(c) *Acceptance of successful bid.*—The Secretary of the Treasury, or his representative, will notify any successful bidder of acceptance in the manner and form specified in the public notice.

Sec. 000.9. *Bids—revocations—rejections—postponements—reoffers.*—The Secretary of the Treasury, in his discretion, may (1) revoke the public notice of invitation to bid at any time before opening bids, (2) return all bids unopened either at or prior to the time specified for their opening, (3) reject any or all bids, (4) postpone the time for presentation and opening of bids, and (5) waive any immaterial or obvious defect in any bid. In the event of a postponement, known bidders will be advised thereof and their bids returned unopened. Any action the Secretary of the Treasury may take in these respects shall be final.

² The lowest basis cost of money will be determined by reference to a specially prepared table of bond yields, a copy of which will be made available to all prospective bidders upon written request to the Federal Reserve Bank of New York, or the Bureau of the Public Debt, Treasury Department, Washington 25, D. C. Straight-line interpolation will be applied if necessary.

(OVER)

Sec. 000.10. *Payment for and delivery of bonds.*—Payment for the bonds, including accrued interest, if any, must be made in immediately available funds on the date and at the place specified in the public notice. Delivery of bonds under this section will be made at the risk and expense of the United States at any such place or places in the United States as may be designated in the public notice. Interim receipts, if necessary, will be issued pending delivery of the definitive bonds.

Sec. 000.11. *Failure to complete transaction—liquidated damages.*—If any successful bidder shall fail to pay in full for the bonds on the date and at the place specified in the public notice, the money deposited by or in behalf of such bidder shall be forfeited to the Treasury Department as liquidated damages for such failure.

Sec. 000.12. *Reservations as to terms of circular.*—The Secretary of the Treasury reserves the right, at any time, or from time to time, to amend, repeal, supplement, revise or withdraw all or any of the provisions of this circular.

DOUGLAS DILLON,
Secretary of the Treasury.

FOR IMMEDIATE RELEASE

[This document is an example of an invitation to bid on long-term Treasury bonds]

(date) _____

PUBLIC NOTICE OF INVITATION TO BID ON

Treasury Bonds of _____

The Secretary of the Treasury, by this notice and under the terms and conditions prescribed in Treasury Department Circular, Public Debt Series No. 00-62, invites bids for an issue of bonds of the United States, designated as Treasury Bonds of _____. The face amount of the issue hereunder will be _____. These bonds will be sold as a single block to the successful bidder.

I. *Description of bonds*

The bonds will be dated _____, and will bear interest from that date payable semiannually on _____ and thereafter on _____ and _____ in each year until the principal amount becomes payable. They will mature _____ [but may be redeemed, at par and accrued interest, at the option of the United States on and after _____, on any interest day, on four months' notice given in such manner as the Secretary of the Treasury shall prescribe. From the date of redemption designated in any such notice,

interest on the bonds called for redemption shall cease.]¹

If the bonds are owned by a decedent at the time of his death and thereupon become part of his estate, they will be redeemed at par and accrued interest at the option of the representatives of the estate, provided the Secretary of the Treasury is authorized by the decedent's estate to apply the entire proceeds of redemption to payment of the Federal estate taxes on such decedent's estate.

II. *Notice of intent*

Any individual, organization, syndicate, or other group intending to submit a bid must give written notice of such intent to the Federal Reserve Bank of New York on Form PD No. _____ before 12:01 A.M., Eastern Standard Time, on _____. Forms and envelopes therefor may be obtained from any Federal Reserve Bank or Branch or from the Bureau of the Public Debt, Treasury Department, Washington 25, D. C. The filing of such notice will not constitute a commitment to bid.

III. *Submission of bids*

Only bids submitted in accordance with the provisions of this notice, or any supplement or amendment hereto, and of Treasury Department Circular, Public Debt Series No. 00-62, by qualified bidders will be considered. Each bid must be submitted in duplicate on Form PD No. _____ and must be received, enclosed and sealed in an envelope which will be furnished with the form, at the Federal Reserve Bank of New York, Room _____, not later than 11:00 A.M., Eastern Standard Time, on _____. Forms and envelopes may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt, Treasury Department, Washington 25, D. C.

Each bidder may submit only one bid which must be for the purchase of all of the bonds described in this notice. The price to be paid to the United States by the bidder must be expressed as a percentage of the face amount in not to exceed five decimals, e.g., 100.01038%. Provisions relating to the coupon rate or rates of interest will be set forth in a supplemental notice hereto before 12:01 A.M., Eastern Standard Time, on _____ [at least three full business days before the bidding date].

Each bid must be accompanied by an amount equal to 3 percent of the face amount of the bonds in immediately available funds.

IV. *Bids—Opening—Acceptance*

Bids will be opened in Room _____, Federal Reserve Bank of New York, at 11:00 A.M., Eastern Standard Time, on _____, and the accepted bid will be announced not later than 2:00 P.M., Eastern Standard Time, on that date.

The bid to be accepted will be the one resulting in the lowest basis cost of money computed from the date of the bonds to the date of maturity determined and accepted in accordance with the terms of this notice, or any supplement or amendment hereto, and the provisions of Treasury Department Circular, Public Debt Series No. 00-62. It shall be a condition of each bid that, if accepted by the Secretary of the Treasury, the bidder shall make a *bona fide* reoffering of all of the bonds to the investing public.

When the successful bidder has been announced, his deposit will be retained as security for the performance of his obligation and will be applied toward payment of the bonds. Thereafter, the deposits of all other bidders will be returned immediately. No interest will be allowed on the deposits. If [bids based on different coupon rates of interest result in identical basis costs of money computed to maturity, the Secretary of the Treasury will, in the case of an issue with a call provision, accept the bid resulting in the lowest interest cost to the first call date. Otherwise, if]² identical bids are submitted, the Secretary of the Treasury, in his discretion, shall determine the bid to be accepted by lot in a manner prescribed by him, unless he proposes and those who submitted the identical bids agree on a division of the bonds.

The Secretary of the Treasury, or his representative, will accept the successful bid by signing the duplicate copy of the bid form and delivering it to the bidder, or his representative.

However, the Secretary of the Treasury, in his discretion, reserves the right to reject any or all bids.

V. *Payment for and delivery of bonds*

Payment for the bonds, including accrued interest [if any], must be made in immediately available funds and must be completed by the successful bidder not later than _____, Eastern Standard Time, on _____ [approximately ten days from the date of announcement of the accepted bid], at the Federal Reserve Bank of New York.

If the bidder desires registered bonds to be shipped on the payment date, he must notify the Federal Reserve Bank of New York and furnish the necessary registration information within two days after the award. All other bonds will be delivered in bearer form and will be available on the payment date at Federal Reserve Banks and Branches. Shipment of the bonds will be made on the payment date, at the risk and expense of the United States, to any place or places in the United States designated by the bidder. If necessary, the Treasury will issue interim receipts for the bonds on the payment date.

DOUGLAS DILLON,
Secretary of the Treasury.

¹ A call provision may or may not be included in any particular invitation.

² See footnote 1 on this page.