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FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, N.Y.

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FISCAL AGENT OF THE UNITED STATES

December 17, 1962

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

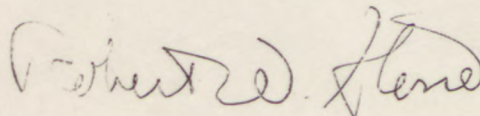
Dear Sirs:

On November 14, 1962 we sent you copies of proposed Treasury Regulations Governing the Sale of Treasury Bonds through Competitive Bidding. These regulations have now been put in final form and were handed to the press at 4:00 p.m. Monday, December 17, together with a press release. The regulations will be published in the Federal Register on Tuesday, December 18, 1962. The proposed form of Public Notice of Invitation to Bid, which we also sent you, has been revised and a new sample version was released to the press on December 17.

At the request of the Treasury, we are mailing you herewith a small supply of the above documents, which 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.

TREASURY DEPARTMENT
WASHINGTON, D. C.

TITLE 31—MONEY AND FINANCE
CHAPTER II—FISCAL SERVICE

PART 340—REGULATIONS GOVERNING THE SALE OF TREASURY BONDS
THROUGH COMPETITIVE BIDDING

1962
Department Circular
Public Debt Series No. 22-62
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, December 17, 1962.

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Department Circular, Public Debt Series No. 22-62, dated December 17, 1962 (31 CFR 340) is hereby issued, effective immediately.

Secs. 340.0 through 340.12 issued under authority of: R.S. 3706; 40 Stat. 288, 290, 1309; 48 Stat. 343; 50 Stat. 481; 31 U.S.C. 738a, 739, 752, 752a, 753, 754, 754a and 754b.

SEC. 340.0. *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.

The terms "public notice," "notices," or "announcement" as used in this part mean the "Public Notice of Invitation to Bid" on Treasury bonds and any supple-

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.

mentary or amendatory notices or announcements with respect thereto, including, but not limited to, any statement released to the press by the Secretary of the Treasury and notices sent to those who have filed notices of intent to bid or who have filed bids.

SEC. 340.1. *Public notice—description of bonds—terms of offer.*

When bonds are 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 either fix the coupon rate of interest to be borne by the bonds or prescribe the conditions under which bidders may specify the rate and 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 date and closing hour for receipt of bids, and the date on which the bonds will be delivered and 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. 340.2. *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,

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\$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. 340.3. *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. 340.4. *Acceptance as security for public deposits.*

The bonds will be acceptable to secure deposits of public moneys.

SEC. 340.5. *Notice of intent to bid.*

Any individual or organization, syndicate, or other group which intends to submit a bid, must, when required by the public notice, give written notice of such intent on Form PD 3555 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. 340.6. *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 on the official form referred to in the public notice and should be enclosed and sealed in the special envelope provided 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 percent. Provisions relating to the coupon rate 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 required 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 member and to bind the members jointly and severally. In addition to whatever other data may be required by the Secretary of the Treasury, in the case of a syndicate, the representative must file, within one hour after the time for opening bids, at the place specified in the public notice for receipt of bids a final statement of the composition of the syndicate membership and the amount of each member's underwriting participation.

SEC. 340.7. *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 any deposits.

SEC. 340.8. *Acceptance of bids.*

(a) *Opening of bids.* Bids will be opened at the time and place specified in the public notice.

(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. 340.9. *Bids—revocations—rejections—postponements—reoffers.*

The Secretary of the Treasury, in his discretion, may (a) revoke the public notice of invitation to bid at any time before opening bids, (b) return all bids unopened either at or prior to the time specified for their opening, (c) reject any or all bids, (d) postpone the time for presentation and opening of bids, and (e) waive any immaterial or obvious defect in any bid. Any action the Secretary of the Treasury may take in these respects shall be final. In the event of a postponement, known bidders will be advised thereof and their bids returned unopened.

SEC. 340.10. *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 invitation. Delivery of bonds under this section will be made at the risk and expense of the United States at such place or places in the United States as may be provided in the invitation. Interim receipts, if necessary, will be issued pending delivery of the definitive bonds.

SEC. 340.11. *Failure to complete transaction.*

If any successful bidder shall fail to pay in full for the bonds on the date and at the place specified in the invitation, the money deposited by or in behalf of such bidder shall be forfeited to the Treasury Department.

SEC. 340.12. *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

² In cases where bidders are required to specify the coupon rate, 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.

Copy of Treasury Press Statement

For Release: 4:00 p.m.
Monday, December 17, 1962

TREASURY RELEASES REGULATIONS ON THE SALE OF BONDS
AT COMPETITIVE BIDDING

The Treasury made public today regulations governing the sale of bonds at competitive bidding, together with a sample invitation for bids. Comments were solicited by the Department in November upon a tentative draft of the regulations. The regulations, which are effective today, will be published in the Federal Register of December 18.

Secretary Douglas Dillon said that the Treasury will, in the first offering of bonds at competitive bidding, require a bona fide reoffering of all of the bonds to the investing public. This is in accord with the regulation, which states:

"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."

The objective of the Treasury is establishing this requirement, Secretary Dillon said, is to obtain the broadest possible interest in and distribution of the bonds among the investing public.

Four criteria are cited by the Treasury as relevant to the judgment which it will have to make in any specific case as to whether a bona fide reoffering has been made:

1. The bonds cannot be taken down for the underwriter's own investment or trading accounts until a good-faith reoffering has been made and the underwriter has been unable to sell all of the bonds to the investing public at an established reoffering price. Individual syndicate members may not take down the bonds for their own investment or trading accounts until the syndicate, after making a good-faith effort to sell all of the bonds to the investing public at the reoffering price, is dissolved and the unsold bonds are distributed among the syndicate members.

(M O R E)

2. The opportunity to obtain bonds from the underwriter must be open to all investors (except members of competing underwriting groups).

3. Liability to the United States will be borne solely by the successful bidder, and purchasers of the bonds on the reoffering will have no underwriting liability to the United States.

4. Underwriters may, of course, obtain indications of interest from investors prior to the bidding but must give investors the right to withdraw from any such previous arrangements made with them when the terms of the reoffering become known.

Secretary Dillon said that, with the publication of these regulations, the Treasury is now in a position to proceed with the first offering of bonds at competitive bidding whenever market conditions are deemed appropriate.

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Reproduced at Federal Reserve Bank of New York

SAMPLE

(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. 22-62, invites bids for an issue of bonds of the United States, designated as Treasury Bonds of The principal amount of the issue hereunder will be These bonds will be offered only as a single block on a competitive bid basis.

I. Description of bonds

The bonds will be dated, and will bear interest from that date payable on a semiannual basis on and in each year until the principal amount becomes payable. They will mature [but may be redeemed at the option of the United States on and after, at par and accrued interest, on any interest day, on four months' notice of redemption 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 constitute a part of his estate, they will be redeemed at par and accrued interest at the option of the representative 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 file written notice of such intent with the Federal Reserve Bank of New York on Form PD 3555 before 12:01 A.M., Eastern Standard Time, on Notices which are received postmarked to show they were mailed prior to that time will be treated as having been timely filed. 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 invitation, or any supplement or amendment hereto, and of Treasury Department Circular, Public Debt Series No. 22-62, by bidders who have filed notice of their intent to bid as required by Sec. II hereof will be considered. Each bid must be submitted in duplicate on Form PD 3556, enclosed and sealed in an envelope which will be furnished with the form, and must be received in the Northwest Conference Room of the Federal Reserve Bank of New York 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.

A bid submitted by a syndicate must be supplemented by a list of its members which must specify the amount of each member's underwriting participation. This supplement must be filed by the representative on Form PD 3557 not later than 12:00 Noon on [the date for receipt of bids] at the place designated for receipt of bids.

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

(OVER)

Each bidder may submit only one bid which must be for the purchase of *all* of the bonds described in this invitation. The price to be paid to the United States by the bidder must be expressed as a percentage of the principal amount of the bonds in not to exceed five decimals, e.g., 100.01038 percent. Provisions relating to the coupon rate 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 a payment to the Federal Reserve Bank of New York, as fiscal agent of the United States, of an amount equal to 3 percent of the principal amount of the bonds in immediately available funds.

IV. *Bids—Opening—Acceptance*

Bids will be opened in the Northwest Conference Room of the Federal Reserve Bank of New York at 11:00 A.M., Eastern Standard Time, on, and the accepted bid will be announced publicly not later than 2:00 P.M., Eastern Standard Time, on that date. The bids and the names of the bidders will be considered as matters of public record, including in the case of a syndicate, the names of the members and the amount of each member's underwriting participation.

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 in accordance with the terms of this invitation, or any supplement or amendment hereto, and the provisions of Treasury Department Circular, Public Debt Series No. 22-62. 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 any of 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. In the event of a division of the bonds, the bids of the successful bidders will be amended accordingly, and their deposits will be apportioned and the remainder refunded immediately.

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.

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 any 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.

Secretary of the Treasury

² See footnote 1, page 1.