

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. 5314]
March 14, 1963]

TREASURY'S LATEST ADVANCE REFUNDING

Public Exchanges Total \$7.7 Billion

*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 total dollar amount of Government securities exchanged by public holders in the Treasury's latest advance refunding was larger than in any of the six previous advance refundings undertaken by the Treasury.

Final figures show that of the total \$8,007 million of the new securities subscribed for, \$7,682 million was exchanged by the public, the remaining \$325 million being exchanged by Government investment accounts. The percentage exchanged by the public amounted to 38% of their holdings of the eligible issues. Tables are attached showing the amounts involved in the advance refunding, and the distribution of subscriptions by Federal Reserve Districts and by certain classes of investors.

This advance refunding constitutes a major step forward in the Treasury's continuing program to so arrange the maturity composition of the marketable debt as to avoid contributing to the generation of inflationary pressures in the future. As a result of this operation, the debt maturing within one year has been reduced by about \$6 billion and the debt maturing in one to three years has been reduced by \$1.1 billion. The advance refunding produced an increase on balance in the debt maturing in three-to-five years of \$3.3 billion, and increases of \$1.5 billion and \$2.2 billion in the debt maturing in five-to-ten years and over-ten years, respectively.

This major restructuring of the debt will give the Treasury much more flexibility in its debt management operations in the months ahead, permitting the Treasury to adapt its future cash financing to changing market conditions and balance of payments requirements without running the risk of producing an excessive increase in the very short, liquid debt.

An attached table describes changes in the maturity distribution of the marketable debt during recent years. It shows that the combined result of all debt operations in the first three months of calendar 1963 has been a decline of \$5.7 billion in the under-one-year debt, a decline of \$500 million in the one-to-five year debt and a rise of \$6.4 billion in the debt maturing beyond five years.

The table also shows that during the twelve months ending March 31, 1963 (taking into account the retirement of \$3 billion of March tax bills and the issuance of \$1.5 billion of June tax bills), the under-one-year debt will have declined by \$5.7 billion, the one-to-five year debt will have increased by \$1.5 billion and the over-five-year debt will have risen by \$10.9 billion.

The increase in the debt maturing beyond five years will be very much greater than the total increase in the marketable debt, both for the twelve-month and the twenty-six-month periods ending this March.

The impact of the recently completed advance refunding on the ownership composition of the debt will not be known for a number of months—until such time as the new securities pass out of the hands of transitional holders into the hands of ultimate investors. However, it is possible to examine the impact of debt management operations and other factors on the ownership of the debt during the past year, figures which reflect the advance refundings conducted in March and September of 1962.

During the twelve months ending January 31, 1963 (the latest month for which detailed ownership figures are available), all of the deficit was financed outside the banking system (see attached table). During this twelve-month period, holdings of Government securities by Federal Reserve Banks rose by \$1.8 billion, but this increase was completely offset by a decline of \$1.8 billion in the Government security holdings of commercial banks. On net balance, all of the \$7.1 billion increase in the debt during the year ending last January was financed outside the domestic banking system. About \$800 million of this total was taken by Government investment accounts. The remaining \$6.3 billion was divided among foreign and international accounts (\$2.4 billion), corporate pension funds and individuals (\$1.0 billion), State and local governments (\$0.9 billion), business corporations (\$0.7 billion), and other investors (\$1.3 billion).

The tables referred to in the above statement are printed on the following pages.

ALFRED HAYES,
President.

FEDERAL RESERVE BANK
OF NEW YORK

**AMOUNTS OF SECURITIES ELIGIBLE FOR EXCHANGE AND
AMOUNTS OF NEW SECURITIES TO BE ISSUED**

ELIGIBLE FOR EXCHANGE	NEW SECURITIES TO BE ISSUED (millions)					Total	% exchanged	Total unexchanged (millions)
	Amounts (millions)	3 7/8% Notes 2/15/67	3 7/8% Bonds 1971	3 7/8% Bonds 1974	4% Bonds 1980			
PUBLIC HOLDINGS								
3 1/2% Ctf., C-1963.....	\$ 3,003	\$ 955	\$ 663	\$ —	\$ 17	\$1,635	54%	\$ 1,368
2 1/2% Bonds of 1963.....	3,952	2,274	532	—	49	2,855	72	1,097
3 1/8% Ctf., D-1963.....	1,062	194	94	—	2	290	27	772
3% Bonds of 1964.....	2,588	845	196	—	24	1,065	41	1,523
3 1/2% Notes, B-1965.....	3,267	—	—	135	196	331	10	2,936
3 5/8% Notes, B-1966.....	2,891	—	—	213	420	633	22	2,258
3% Bonds of 1966.....	1,336	—	—	250	99	349	26	987
3 3/8% Bonds of 1966.....	2,205	—	—	323	201	524	24	1,681
Total Public Holdings....	\$20,304	\$4,268	\$1,485	\$ 921	\$1,008	\$7,682	38	\$12,622
Total Fed. Res. Banks and Govt. Accounts	8,741	20	30	152	123	325	4	8,416
GRAND TOTALS.....	\$29,045	\$4,288	\$1,515	\$1,073	\$1,131	\$8,007	28	\$21,038

**SUBSCRIPTIONS BY FEDERAL RESERVE DISTRICTS
(Millions)**

Federal Reserve District	3 7/8% Notes Series B-1967	3 7/8% Bonds of 1971	3 7/8% Bonds of 1974	4% Bonds of 1980	Total
Boston	\$ 109	\$ 36	\$ 20	\$ 20	\$ 185
New York	2,336	992	585	799	4,712
Philadelphia	100	49	42	14	205
Cleveland	145	38	33	10	226
Richmond	113	19	16	12	160
Atlanta	139	28	21	12	200
Chicago	516	193	146	53	908
St. Louis	118	23	27	15	183
Minneapolis	73	36	36	6	151
Kansas City	99	33	20	25	177
Dallas	106	19	31	11	167
San Francisco	421	48	92	67	628
Treasury	13	1	4	87	105
TOTALS	\$4,288	\$1,515	\$1,073	\$1,131	\$8,007

**SUMMARY OF AMOUNT AND NUMBER OF SUBSCRIPTIONS RECEIVED
IN MARCH 1963 ADVANCE REFUNDING**

(Dollar Amounts in Millions)

	<i>3 7/8% Notes, Series B-1967</i>		<i>3 7/8% Bonds of 1971</i>		<i>3 7/8% Bonds of 1974</i>		<i>4% Bonds of 1980</i>		<i>TOTAL</i>	
	<i>Amount</i>	<i>No. Sub.</i>	<i>Amount</i>	<i>No. Sub.</i>	<i>Amount</i>	<i>No. Sub.</i>	<i>Amount</i>	<i>No. Sub.</i>	<i>Amount</i>	<i>No. Sub.</i>
Individuals ¹	\$ 44	2,531	\$ 32	1,394	\$ 24	1,579	\$ 30	1,221	\$ 130	6,725
Commercial banks	2,708	5,457	929	1,835	490	2,215	278	856	4,405	10,363
(Own account)										
All Others ²	1,516	1,966	524	937	407	1,476	700	1,047	3,147	5,426
Totals	\$4,268	9,954	\$1,485	4,166	\$ 921	5,270	\$1,008	3,124	\$7,682	22,514
Federal Reserve Banks & Government Accounts.	20		30		152		123		325	
GRAND TOTALS.....	\$4,288		\$1,515		\$1,073		\$1,131		\$8,007	

¹ Includes partnerships and personal trust accounts.

² Includes insurance companies, mutual savings banks, corporations exclusive of commercial banks, private pension and retirement funds, pension, retirement and other funds of State and local governments, and dealers and brokers.

**CHANGES IN THE MATURITY DISTRIBUTION OF THE MARKETABLE DEBT
JANUARY 1961 TO MARCH 1963**

(Dollars in billions)

<i>Maturity</i>	<i>End of Month Totals</i>				<i>March 1963 p — Change From</i>		
	<i>January 1961</i>	<i>March 1962</i>	<i>December 1962</i>	<i>March 1963 p</i>	<i>Dec. 1962 (3 mos.)</i>	<i>Mar. 1962 (12 mos.)</i>	<i>Jan. 1961 (26 mos.)</i>
UNDER ONE YEAR							
Weekly and one-year bills...	\$ 32.7	\$ 38.7	\$ 45.2	\$ 45.9	\$+0.7	\$+7.2	\$+13.2
Tax bills	7.0	4.3	3.0	2.5	-0.5	-1.8	-4.5
Other	35.9	44.2	39.0	33.1	-5.9	-11.1	-2.8
Total: Under one year.....	75.6	87.2	87.3	81.5	-5.7	-5.7	+5.9
1 to 5 Years	70.8	59.7	61.6	61.2	-0.5	+1.5	-9.7
5 YEARS AND OVER							
5 to 10 Years.....	18.7	23.7	34.0	38.0	+4.0	+14.2	+19.3
10 to 20 Years.....	13.2	10.7	4.6	6.8	+2.2	-3.9	-6.4
20 Years and Over.....	11.0	15.2	15.5	15.8	+0.2	+0.5	+4.8
Total: 5 Years and Over....	42.9	49.6	54.1	60.5	+6.4	+10.9	+17.6
Total: Marketable Debt.....	\$189.3	\$196.5	\$203.0	\$203.2	\$+0.2	\$+6.7	\$+13.9
AVERAGE LENGTH:							
Years and Months.....	4-6	4-11	4-11	5-1			
Months	54.0	58.5	58.7	61.1	+2.4	+2.6	+7.1
(Percentage change)					(+4.1%)	(+4.4%)	(+13.1%)

Note: Figures may not add to totals because of rounding.

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ESTIMATED OWNERSHIP OF U. S. GOVERNMENT SECURITIES

(In billions of dollars)

	January 31, 1962	January 31, 1963	12 month change
Government investment accounts	53.8	54.5	+ .8
Federal Reserve Banks	28.5	30.3	+1.8
Commercial banks	67.8	66.0	-1.8
Private nonbank	146.8	153.1	+6.3
Mutual savings banks	6.2	6.1	-.1
Insurance companies	11.6	11.5	-.1
Savings and loan associations	5.4	5.7	+.3
State and local funds	19.0	19.9	+.9
Corporations	20.4	21.1	+.7
Individuals and corporate pension funds	68.0	69.0	+1.0
Foreign and international	12.9	15.3	+2.4
All other	3.2	4.4	+1.2
Total	296.9	303.9	+7.1

Note: Figures may not add to totals because of rounding.

CHANGES IN THE MATURITY DISTRIBUTION OF THE MARKETABLE DEBT
JANUARY 1962 TO MARCH 1963
(In billions of dollars)

Maturity	Jan. 1962		Mar. 1963		Change
	(\$ bil.)	(%)	(\$ bil.)	(%)	
Under 1 Year	10.0	3.4	10.0	3.3	0.0
1 to 2 Years	10.0	3.4	10.0	3.3	0.0
2 to 3 Years	10.0	3.4	10.0	3.3	0.0
3 to 4 Years	10.0	3.4	10.0	3.3	0.0
4 to 5 Years	10.0	3.4	10.0	3.3	0.0
5 to 6 Years	10.0	3.4	10.0	3.3	0.0
6 to 7 Years	10.0	3.4	10.0	3.3	0.0
7 to 8 Years	10.0	3.4	10.0	3.3	0.0
8 to 9 Years	10.0	3.4	10.0	3.3	0.0
9 to 10 Years	10.0	3.4	10.0	3.3	0.0
10 to 15 Years	10.0	3.4	10.0	3.3	0.0
15 to 20 Years	10.0	3.4	10.0	3.3	0.0
20 to 30 Years	10.0	3.4	10.0	3.3	0.0
30 to 40 Years	10.0	3.4	10.0	3.3	0.0
40 to 50 Years	10.0	3.4	10.0	3.3	0.0
50 to 60 Years	10.0	3.4	10.0	3.3	0.0
60 to 70 Years	10.0	3.4	10.0	3.3	0.0
70 to 80 Years	10.0	3.4	10.0	3.3	0.0
80 to 90 Years	10.0	3.4	10.0	3.3	0.0
90 to 100 Years	10.0	3.4	10.0	3.3	0.0
Total	296.9	100.0	303.9	100.0	6.9

Note: Figures may not add to totals because of rounding.