

FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

[Circular No. 5374]
August 21, 1963

TREASURY OFFERS \$1 BILLION OF ONE-YEAR BILLS

To All Incorporated Banks and Trust Companies, and Others Concerned,
in the Second Federal Reserve District:

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

The Treasury Department today announced the introduction of a new pattern of Treasury bill issues. Its one-year Treasury bills will henceforth be offered on a monthly basis, rather than quarterly. The first of the new series will be offered in the amount of \$1 billion, to be auctioned on Tuesday, August 27, for payment on Tuesday, September 3. It will mature on August 31, 1964.

The amounts of each subsequent issue are expected to be in the general magnitude of \$1 billion, rather than the magnitudes of \$2.0-\$2.5 billion that have been used in the quarterly issues of similar bills.

On July 15, 1963, the Treasury announced that it was giving consideration to the establishment of monthly auctions of one-year Treasury bills, in the interest of a more orderly scheduling of its short-term maturities, and requested comments on the proposal from members of the financial community and other interested parties. On the basis of the many responses received from the public and its own studies, the Treasury concluded that a program of monthly auctions of one-year bills was not only feasible but also likely to meet a market need which is not currently being adequately met by other short-term money market instruments.

The Treasury does not undertake, by this action, necessarily to auction a one-year bill every month, nor is it committed to the \$1 billion amount, but a pattern of this sort is likely to develop as opportunities continue to arise to replace the outstanding quarterly issues with those issued monthly.

Following is the text of the public notice of the offering, also released for publication today:

The Treasury Department, by this public notice, invites tenders for \$1,000,000,000, or thereabouts, of 363-day Treasury bills, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated September 3, 1963, and will mature August 31, 1964, when the 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, \$50,000, \$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 p.m., Eastern Daylight Saving time, Tuesday, August 27, 1963. 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. (Notwithstanding the fact that these bills will run for 363 days, the discount rate will be computed on a bank discount basis of 360 days, as is currently the practice on all issues of Treasury bills.) 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.

Banking institutions generally may submit tenders for account of customers provided the names of the customers are set forth in such tenders. 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.

All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of this issue, at a specific rate or price, until after one-thirty p.m., Eastern Daylight Saving time, Tuesday, August 27, 1963.

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 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 without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on September 3, 1963.

(OVER)

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 (current revision) 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.

This Bank will receive tenders up to 1:30 p.m., Eastern Daylight Saving time, Tuesday, August 27, 1963, at the Securities Department of its Head Office and at its Buffalo Branch. Please use the enclosed form to submit a tender, and return it in the enclosed yellow envelope marked "Tender for Special Treasury Bills." Tendere 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.*

ALFRED HAYES,
President.

On July 15, 1963, the Treasury announced that it was giving consideration to the establishment of monthly auctions of one-year Treasury bills, in the interest of a more orderly scheduling of its short-term maturities, and requested comments on the proposal from members of the financial community and other interested parties. On the basis of the many responses received from the public and its own studies, the Treasury concluded that a program of monthly auctions of one-year bills was not only feasible but also likely to meet a market need which is not currently being adequately met by other short-term money market instruments. The Treasury does not undertake, by this action, necessarily to auction a one-year bill every month, nor is it committed to the \$1 billion amount, but a pattern of this sort is likely to develop as opportunities continue to arise to replace the outstanding quarterly issues with those issued monthly.

Following is the text of the public notice of the offering, also released for publication today:

The Treasury Department, by this public notice, invites tenders for \$1,000,000,000 in the amount of 360-day Treasury bills to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills to be issued will be dated September 2, 1963, and will mature August 31, 1964, when the face amount will be payable without interest. There will be three issues of \$300,000,000 each, in denominations of \$100,000, \$50,000, \$10,000, \$5,000, \$1,000, \$500, and \$100,000 (minimum values).

Tenders will be received at Federal Reserve Banks and branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Tuesday, August 27, 1963. Tenders will not be received at the Treasury Department, Washington, D.C., and tenders may 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., 99.875. Fractions may not be used. (Notwithstanding the fact that these bills will run for 365 days, the discount rate will be computed on a bank discount basis of 360 days, as is currently the practice on all issues of Treasury bills.) It is urged that tenders be made on the enclosed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or branches on application therefor.

Banking institutions generally may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Other than banking institutions will not be permitted to submit tenders except for their own

Immediately after the closing hour, tenders will be opened at the Federal Reserve Bank and branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. These bids and the names of the successful bidders will be available for inspection at the Treasury Department. 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 restrictions, noncompetitive tenders for \$200,000 or less without stated price may be accepted in whole or in part, and the average price (in three decimals) of accepted competitive bids. Payment of accepted tenders at the price offered must be made in completed in the Federal Reserve Bank in cash or other immediately available funds on September 2, 1963.

All bidders are required to agree not to purchase or to sell or to make any agreement with respect to the purchase or sale or other disposition of any bills of this issue, at a specific rate or price, until after one-thirty p.m., Eastern Daylight Saving time, Tuesday, August 27, 1963.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and registered dealers in investment securities. Tenders from other persons 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.

IMPORTANT—The discount rate on the bills of this issue will be computed on a bank discount basis of 360 days, as is currently the practice on all issues of Treasury bills.

No.

TENDER FOR SPECIAL 363-DAY TREASURY BILLS

Dated September 3, 1963

Maturing August 31, 1964

To FEDERAL RESERVE BANK OF NEW YORK,
Fiscal Agent of the United States.

Dated at
....., 1963

Pursuant to the provisions of Treasury Department Circular No. 418 (current revision) and to the provisions of the public notice issued by the Treasury Department and printed in your Circular No. 5374, dated August 21, 1963, the undersigned hereby offers to purchase the above described Treasury bills in the amount indicated below, and agrees to make payment therefor at your Bank on or before September 3, 1963 at the price indicated below:

COMPETITIVE TENDER [*Do not fill in both Competitive and Noncompetitive tenders on one form*] **NONCOMPETITIVE TENDER**

\$..... (maturity value),
or any lesser amount that may be awarded.

\$..... (maturity value).
(Not to exceed \$200,000 for one bidder through all sources)

Price: per 100.
(Price must be expressed with not more than three decimal places, for example, 99.925)

At the average price of accepted competitive bids.

Subject to allotment, please issue, deliver, and accept payment for the bills as indicated below:

Pieces	Denomination	Maturity value		
	\$ 1,000		<input type="checkbox"/>	1. Deliver over the counter to the undersigned
	5,000		<input type="checkbox"/>	2. Ship to the undersigned
	10,000		<input type="checkbox"/>	3. Hold in safekeeping (for account of member bank only)*
	50,000		<input type="checkbox"/>	4. Allotment transfer (see list attached)
	100,000		<input type="checkbox"/>	5. Special instructions:
	500,000			
	1,000,000			
	Total			

(No changes in delivery instructions will be accepted)

Payment will be made as follows:
 By charge to our reserve account
 By cash or check in immediately available funds

(Payment cannot be made through Treasury Tax and Loan Account)

* If this item is checked, the undersigned certifies that the allotted bills will be owned solely by the undersigned.

We hereby agree not to buy or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of this issue at a specific rate or price, until after one-thirty o'clock p.m., Eastern Daylight Saving time, Tuesday, August 27, 1963.

[*Insert this tender in yellow envelope marked "Tender for Special Treasury Bills"*]

Name of subscriber (Please print)

By, By
(Official signature(s) required)

Title, Title

Address

(Banks submitting tenders for customer account must indicate name on line below, or attach a list)

.....
(Name of customer)

INSTRUCTIONS:

1. No tender for less than \$1,000 will be considered, and each tender must be for an even multiple of \$1,000 (maturity value).
2. Others than banking institutions will not be permitted to submit tenders except for their own account. Banks submitting tenders for customer account may consolidate competitive tenders at the same price and may consolidate noncompetitive tenders, provided a list is attached showing the name of each bidder, the amount bid for his account, and method of payment. Forms for this purpose will be furnished on request.
3. If the person making the tender is a corporation, the tender should be signed by an officer of the corporation authorized to make the tender, and the signing of the tender by an officer of the corporation will be construed as a representation by him that he has been so authorized. If the tender is made by a partnership, it should be signed by a member of the firm, who should sign in the form "....., a copartnership, by, a member of the firm."
4. 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.

Inv. # 5374

Federal Reserve Bank of New York

Securities Department (9th Floor)

33 Liberty Street

New York, N. Y. 10045

**TENDER FOR SPECIAL
TREASURY BILLS**

(DO NOT USE THIS ENVELOPE FOR OTHER PURPOSES)

NOTICE OF ALLOTMENT
OF UNITED STATES OF AMERICA TREASURY BILLS

August 28, 1963

Your competitive noncompetitive tender for—

UNITED STATES OF AMERICA SPECIAL 363-DAY TREASURY BILLS
DATED SEPTEMBER 3, 1963, DUE AUGUST 31, 1964

has been accepted at the price of

(per 100), in the amount of—

\$

(maturity value)

Settlement therefor must be made in cash or other immediately available funds at the Federal Reserve Bank of New York on or before September 3, 1963. If settlement is to be made by check on a bank other than the Federal Reserve Bank of New York, such check should be received by us in time for collection on September 3, 1963; otherwise it will be necessary for the bidder to pay for the securities allotted at the accepted price plus interest to the date of collection at the equivalent rate of discount.

Delivery of the Treasury bills will be made in accordance with instructions submitted with your tender, and your reserve account will be charged on September 3, 1963 if you so indicated. If you did not submit such instructions, a Letter of Instructions form is enclosed; please complete the letter in duplicate and return it promptly to this Bank.

FEDERAL RESERVE BANK OF NEW YORK
 Fiscal Agent of the United States

Checked by

(This letter of instructions, accompanied by attached duplicate copy, should be filled in and returned to Federal Reserve Bank of New York)

LETTER OF INSTRUCTIONS

TO FEDERAL RESERVE BANK OF NEW YORK,
Fiscal Agent of the United States,
Federal Reserve P. O. Station,
New York, N. Y. 10045

Attention: Government Bond Division—2nd Floor

Dated at
.....1963

On our competitive noncompetitive tender for—

UNITED STATES OF AMERICA SPECIAL 363-DAY TREASURY BILLS
DATED SEPTEMBER 3, 1963, DUE AUGUST 31, 1964

accepted at the price of (per 100), in the amount of—
\$ (maturity value)

Please issue and make delivery of the bills as instructed below:

Pieces	Denomination	Maturity Value		PLEASE DO NOT USE THIS SPACE
	\$ 1,000			
	5,000			
	10,000			
	50,000			
	100,000			
	500,000			
	1,000,000			
	Total—			

- 1. Deliver over the counter to the undersigned
- 2. Ship to the undersigned
- 3. Hold in safekeeping (for account of member bank only)*
- 4. Allotment transfer (see list attached)
- 5. Special instructions:

- Payment will be made as follows:
- By charge to our reserve account
 - By cash or check in immediately available funds

(No changes in delivery instructions will be accepted)

(Payment cannot be made through Treasury Tax and Loan Account)

* If this item is checked, the undersigned certifies that the allotted bills will be owned solely by the undersigned.

This letter of instructions must be signed officially in the space provided and returned immediately to

Submitted by (Please print)
By, By (Authorized signature(s) required)
Title Title
Address

Federal Reserve Bank of New York,
Fiscal Agent of the United States.

(Spaces below are for the use of the Federal Reserve Bank of New York)

Government Bond Division	Safekeeping Division
Payment received	Checked
Deliver against payment of \$.....	Delivered

DELIVERY RECEIPT

Received from Federal Reserve Bank of New York, Fiscal Agent of the United States, the above described securities allotted in the amount indicated above.

Digitized for FRASER
http://fraser.stlouisfed.org/ Subscriber..... By.....
Federal Reserve Bank of St. Louis

LETTER OF INSTRUCTIONS

TO FEDERAL RESERVE BANK OF NEW YORK,
Fiscal Agent of the United States,
Federal Reserve P. O. Station,
New York, N. Y. 10045

Attention: Government Bond Division—2nd Floor

Dated at
.....1963

On our [] competitive [] noncompetitive tender for—

UNITED STATES OF AMERICA SPECIAL 363-DAY TREASURY BILLS
DATED SEPTEMBER 3, 1963, DUE AUGUST 31, 1964

accepted at the price of (per 100), in the amount of—
\$ (maturity value)

Please issue and make delivery of the bills as instructed below:

Table with columns: Pieces, Denomination, Maturity Value, PLEASE DO NOT USE THIS SPACE. Rows include denominations from \$1,000 to 1,000,000 and a Total row.

- 1. Deliver over the counter to the undersigned
2. Ship to the undersigned
3. Hold in safekeeping (for account of member bank only)*
4. Allotment transfer (see list attached)
5. Special instructions:

Payment will be made as follows:
[] By charge to our reserve account
[] By cash or check in immediately available funds

(No changes in delivery instructions will be accepted)

(Payment cannot be made through Treasury Tax and Loan Account)

* If this item is checked, the undersigned certifies that the allotted bills will be owned solely by the undersigned.

This letter of instructions must be signed officially in the space provided and returned immediately to

Submitted by (Please print)
By By (Authorized signature(s) required)
Title Title
Address

Federal Reserve Bank of New York,
Fiscal Agent of the United States.

(Spaces below are for the use of the Federal Reserve Bank of New York)

Table with columns: Government Bond Division, Safekeeping Division. Rows: Payment received, Checked, Deliver against payment of \$, Delivered.

DELIVERY RECEIPT

Received from Federal Reserve Bank of New York, Fiscal Agent of the United States, the above described securities allotted in the amount indicated above.

Digitized for FRASER
http://fraser.stlouisfed.org/
Subscriber By

Your competitive noncompetitive tender for—

UNITED STATES OF AMERICA SPECIAL 363-DAY TREASURY BILLS
DATED SEPTEMBER 3, 1963, DUE AUGUST 31, 1964

which has been accepted at the price of

(per 100), in the amount of—

\$

PRINCIPAL					
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MASTER

MATURITY VALUE					
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PRINCIPAL					
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DISPOSITION	SPLIT DISPOSITION			
<input type="checkbox"/> Over the Counter				
<input type="checkbox"/> Safekeeping				
<input type="checkbox"/> Ship				
<input type="checkbox"/> Treasury Tax & Loan				
<input type="checkbox"/> Allotment Transfer				

METHOD OF PAYMENT
<input type="checkbox"/> Reserve Account
<input type="checkbox"/> Check or Cash
<input type="checkbox"/> Delivery Teller
<input type="checkbox"/> Foreign Oper. Div.
<input type="checkbox"/> Form 12

competitive noncompetitive

UNITED STATES OF AMERICA SPECIAL 363-DAY TREASURY BILLS
DATED SEPTEMBER 3, 1963, DUE AUGUST 31, 1964

\$

competitive noncompetitive

UNITED STATES OF AMERICA SPECIAL 363-DAY TREASURY BILLS
DATED SEPTEMBER 3, 1963, DUE AUGUST 31, 1964

\$