FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

[Circular No. 6905
February 25, 1972]

Treasury Offers $3.0 Billion Strip of Weekly Bills

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

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

The Treasury announced today that it will raise $3.0 billion by auctioning a ''strip'' of bills consisting of additions to fifteen outstanding weekly series of Treasury bills. The reopened bills are those which mature March 30 to July 6, 1972, inclusive. They will be reopened in the amount of $200 million each — a total of $3.0 billion.

The Treasury noted that the issuance of this amount of securities is possible under the existing debt limit because of an anticipated drop in the debt on the last day of February, but that this borrowing and additions to the debt as trust-fund receipts are invested in early March will raise the debt to the limit by mid-March.

The auction will be on Wednesday, March 1, with payment on Monday, March 6. Commercial banks may make payment for 50% of their own and their customers' accepted tenders by credit to Treasury Tax and Loan Accounts.

Following is the text of the public notice offering the bills referred to in the above statement:

The Treasury Deparment, by this public notice, invites tenders for additional amounts of fifteen series of Treasury bills to the aggregate amount of $3,000,000,000 or thereabouts, for cash. The additional bills will be issued March 6, 1972, will be in the amounts, and will be in addition to the bills originally issued and maturing, as follows:

Amount of additional issue	*Original issue dates*	*Maturity Dates 1972*	*CUSIP No.*	*Days from March 6, 1972 to maturity*	*Amount currently outstanding (in millions)*
$ 200,000,000	September 30, 1971	March 30	912793 MU7	24	$3,903
200,000,000	October 7, 1971	April 6	912793 MV5	31	3,901
200,000,000	October 14, 1971	April 13	912793 MW3	38	3,903
200,000,000	October 21, 1971	April 20	912793 MX1	45	3,901
200,000,000	October 28, 1971	April 27	912793 MY9	52	3,902
200,000,000	November 4, 1971	May 4	912793 MZ6	59	3,902
200,000,000	November 11, 1971	May 11	912793 NA0	66	3,901
200,000,000	November 18, 1971	May 18	912793 NB8	73	4,007
200,000,000	November 26, 1971	May 25	912793 NC6	80	4,001
200,000,000	December 2, 1971	June 1	912793 ND4	87	1,601
200,000,000	December 9, 1971	June 8	912793 NE2	94	1,601
200,000,000	December 16, 1971	June 15	912793 NF9	101	1,600
200,000,000	December 23, 1971	June 22	912793 NG7	108	1,602
200,000,000	December 30, 1971	June 29	912793 NH5	115	1,601
200,000,000	January 6, 1972	July 6	912793 NT9	122	1,601
$3,000,000,000			(Average)	73	

The additional and original bills will be freely interchangeable.

Each tender submitted must be in the minimum amount of $150,000. Tenders over $150,000 must be in multiples of $75,000. One-fifteenth of the amount tendered will be applied to each of the above series of bills.

The bills offered hereunder 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 inter-

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est. They will be issued in bearer form only, and in denominations of $10,000, $15,000, $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 Standard time, Wednesday, March 1, 1972. Tenders will not be received at the Treasury Department, Washington. 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. A single price must be submitted for each tender. 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 these additional issues at a specific rate or price, until after one-thirty p.m., Eastern Standard time, Wednesday, March 1, 1972.

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. Only those submitting competitive 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 $300,000 or less (in amounts as set forth in the second paragraph) without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on March 6, 1972. Any qualified depositary will be permitted to make settlement by credit in its Treasury Tax and Loan Account for not more than 50 percent of the amount of Treasury bills allotted to it for itself and its customers.

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 considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder must include in his income tax return, as ordinary gain or loss, the difference between the price paid for the 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. Purchasers of a strip of the bills offered hereunder should, for tax purposes, take such bills onto their books on the basis of their purchase price prorated to each of the fifteen outstanding issues using as a basis for proration the closing market prices for each of the issues on March 6, 1972. (Federal Reserve Banks will have available a list of these market prices, based on the mean between the bid and asked quotations furnished by the Federal Reserve Bank of New York.)

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 Standard time, Wednesday, March 1, 1972, at the Securities Department of its Head Office and at its Buffalo Branch. Please use the enclosed tender form to submit a tender, and return it in the enclosed envelope marked "Tender for Strip of Outstanding Treasury Bills." Tenders not requiring a deposit may be submitted by telegraph, subject to written confirmation; no tenders may be submitted by telephone. Settlement for accepted tenders must be made on March 6, 1972, in cash or other immediately available funds, except that any qualified depositary will be permitted to make settlement by credit in its Treasury Tax and Loan Account for not more than 50 percent of the amount of Treasury bills allotted to it for itself and its customers.

Alfred Hayes,
President.