

FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

Circular No. 7026
October 25, 1972

TREASURY ANNOUNCES FINANCING PLANS

To All Banking Institutions, and Others Concerned,
in the Second Federal Reserve District:

The following statements were made public today by the Treasury Department:

The Treasury today announced the sale at auction of an additional \$3.0 billion of 6-1/4% notes maturing November 15, 1976. The auction for these 4-year notes will be on November 1. Payment will be on November 15. Commercial banks may make payment for up to 75% of their own and their customers' accepted tenders by credit to Treasury tax and loan accounts. Noncompetitive tenders up to \$400,000 will be accepted in full at the average price. The details of this offering are being released separately.

The Treasury currently estimates that, including amounts needed to pay off \$1.3 billion of notes maturing on November 15 and \$1.4 billion of bonds maturing on December 15, borrowing in the neighborhood of \$12 billion may be needed through the early weeks of 1973, with the cash needs concentrated primarily in early December and early January. The sale announced today will provide \$3 billion of the needed amount.

Consistent with earlier indications, an additional \$2 billion or thereabouts is expected to be provided by the sale in December or early January of notes similar to the issue of 2-year notes sold earlier this month.

Additions to the regular weekly bills of the type announced yesterday provide \$200 million of new cash for each week that they are continued.

The Treasury also noted that seasonal tax collections next spring will allow for sizeable amounts of tax anticipation bills maturing in April and June 1973, and indicated that at least the bulk of its remaining near-term cash needs will be met by sales of these bills.

DETAILS OF TREASURY AUCTION OF \$3.0 BILLION OF NOTES

The \$3.0 billion, or thereabouts, of 4-year Treasury Notes to be sold at auction under competitive and noncompetitive bidding will be an additional amount of the 6-1/4% Treasury Notes of Series D-1976, dated September 8, 1971, due November 15, 1976 (CUSIP No. 912827 CK6), with interest payable from November 15, 1972. An additional amount of the notes will be allotted to Government accounts and the Federal Reserve Banks in exchange for their holdings of notes maturing November 15, 1972.

The notes will be issued in registered and bearer form in denominations of \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000. Interest will be payable on May 15 and November 15 until maturity.

Tenders for the notes will be received up to 1:30 p.m., Eastern Standard time, Wednesday, November 1, 1972, at any Federal Reserve Bank or Branch and at the Office of the Treasurer of the United States, Securities Division, Washington, D.C. 20220; provided, however, that noncompetitive tenders will be considered timely received if they are mailed to any such agency under a postmark no later than Tuesday, October 31.

(Over)

Each tender must be in the amount of \$1,000 or a multiple thereof, and must state the price offered, if it is a competitive tender, or the term "noncompetitive", if it is a noncompetitive tender. The price on competitive tenders must be expressed on the basis of 100, with two decimals, e.g., 100.00. Tenders at a price less than 99.01 will not be accepted. Fractions may not be used. The notation "TENDER FOR TREASURY NOTES" should be printed at the bottom of the envelope in which the tender is submitted.

Public announcement will be made of the amount and price range of accepted tenders. 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 \$400,000 or less will be accepted in full at the average price (in two decimals) of accepted competitive tenders. This price may be 100.00, or more or less than 100.00.

Commercial banks, which for this purpose are defined as banks accepting demand deposits, may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others than commercial banks will not be permitted to submit tenders except for their own account.

Tenders will be received without deposit from commercial and other banks for their own account, Federally-insured savings and loan associations, States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon, and Government accounts. Tenders from others must be accompanied by payment of 5 percent of the face amount of notes applied for.

Payment for accepted tenders must be completed on or before Wednesday, November 15, 1972, at the Federal Reserve Bank or Branch or at the Office of the Treasurer of the United States in cash, 6% Treasury Notes of Series F-1972, maturing November 15, 1972, which will be accepted at par, or other funds immediately available to the Treasury by that date. Any qualified depository will be permitted to make settlement by credit in its Treasury tax and loan account for not more than 75% of the amount of the notes allotted to it for itself and its customers. Where full payment is not completed in funds available by the payment date, the allotment will be canceled and the deposit with the tender up to 5 percent of the amount of notes allotted will be subject to forfeiture to the United States.

The Treasury will construe as timely payment any check drawn to the order of the Federal Reserve Bank or the Treasurer of the United States that is received at such bank or office by Friday, November 10, 1972, provided the check is drawn on a bank in the Federal Reserve District of the bank or office to which the tender is submitted. Other checks will constitute payment only if they are fully and finally collected by the payment date Wednesday, November 15, 1972. Checks not so collected will subject the investor's deposit to forfeiture as set forth in the preceding paragraph. A check payable other than at a Federal Reserve Bank received on the payment date will not constitute immediately available funds on that date.

Commercial banks are prohibited from making unsecured loans, or loans collateralized in whole or in part by the notes bid for, to cover the deposits required to be paid when tenders are entered, and they will be required to make the usual certification to that effect. Other lenders are requested to refrain from making such loans.

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 the notes bid for under this offering at a specific rate or price, until after 1:30 p.m., Eastern Standard time, Wednesday, November 1, 1972.

If there is any doubt that tenders sent by mail will reach this Bank or its Branch as required above, other means of transmitting tenders should be used.

The official offering circular and tender form will be mailed to you tomorrow.

ALFRED HAYES,
President.