

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

[Circular No. 7071
December 27, 1972]

TREASURY AUCTION OF 20-YEAR BONDS

*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 Treasury will auction \$625 million of 6-3/4 percent 20-year bonds on January 4, 1973. The bonds will be dated January 10, 1973, and will mature on February 15, 1993.

These bonds are the longest securities to be offered by the Treasury since 1965. The sale is part of the Treasury's continuing effort to finance the public debt responsibly, in a manner neither inflationary nor disturbing to the market.

Auctions have been successfully used for many years in marketing Treasury bills, and more recently they have been used in marketing medium-term coupon issues with maturities up to 9-years 9-months. With this sale the Treasury will be extending the use of the auction method to the marketing of longer-term bonds.

The procedure under which awards will be made in this auction differs from the procedure that has been used in auctions for shorter-term securities. The difference is that all tenders accepted in this auction will be awarded at the price of the lowest accepted tender. As in the usual auctions, the Treasury will accept bids starting with the highest price bid and ranging downward to the bid which provides a total of \$625 million. (The Secretary of the Treasury reserves the right, however, to accept less than \$625 million of tenders.) This procedure will provide an incentive to bid at prices sufficiently high to be sure of awards, while also assuring each bidder that, if he bids at a price within the range of accepted prices, he will be awarded bonds at the same price as every other bidder. Non-competitive tenders up to \$250,000 will also be accepted.

This sale of longer-term bonds at auction with the "uniform-price" method of making awards continues the Treasury's search for the most efficient means of marketing Federal securities.

The official offering circular and tender form will be mailed to you as soon as possible.

ALFRED HAYES,
President.