FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7858
April 20, 1976]

PROGRESS REPORT ON BOOK-ENTRY PROCEDURE
For U.S. Treasury and Federal Agency Securities

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

As indicated in previous circulars on this subject, the joint Federal Reserve/U.S. Treasury book-entry program has made considerable progress since its inauguration in January 1968. The purpose of this program, as you know, is to reduce the use of definitive securities to the fullest possible extent in connection with the issuance, custody, and transfer of marketable Treasury and Federal Agency obligations. The book-entry procedure offers substantial benefits to the financial community, investors, and the Treasury — it reduces the burden of paper work created by the mounting volume of public debt transactions; it protects the investor against loss, theft, and counterfeiting; and it substantially reduces the cost of issuing, storing and delivering Treasury securities.

At the end of March 1976 a total of $306 billion, representing more than 79 percent of marketable Treasury securities outstanding, was in book-entry form. In addition, as of the same date, the program also included $50.2 billion of eligible Federal Agency obligations, representing more than 66 percent of the outstanding debt of those Agencies. Printed on the reverse side is a table showing the book-entry totals at each year-end from 1968 through 1975, and also at the end of January, February, and March 1976.

Since nearly four-fifths of the marketable Treasury debt has already been converted to book-entry form, it appears that this program will, in time, serve all sectors of the investing public and make it unnecessary to issue any definitive securities in connection with new public debt borrowings. In the light of this progress, the Department of the Treasury has recently issued the attached press release as a statement of its expectations for the future course of book-entry.

In an effort to accelerate the expansion of the book-entry system, we, together with the other Federal Reserve Banks, are requesting all commercial banks and other financial institutions to effect the conversion of eligible Treasury and Agency securities into book-entry form, through member banks, as rapidly as possible. We are aware that the laws of some States and local governments, and certain regulations of administrative or supervisory agencies, currently prevent the full application of the book-entry procedure. So that we may be in a better position to help eliminate any remaining obstacles to the full implementation of the program, we would appreciate being advised of any circumstances of which you may be aware where action on our part might be helpful in overcoming such difficulties. Your communications in this regard should be addressed, at this Bank, to Carol W. Barrett, Secretary of the Federal Reserve System Subcommittee on Fiscal Agency Operations (Tel. No. 212-791-6068).

Our joint efforts should make it possible to realize more of the benefits of the book-entry system by reducing the remaining definitive Treasury and Agency securities outstanding, and thereby move forward toward a true certificateless system.

PAUL A. VOLCKER,
President.

(Over)

Marketable United States Treasury Securities in Book-Entry Form
1968 to Date

(Dollar amounts in billions)

End of period	*Marketable Treasury securities outstanding* [1]	*Book-Entry holdings* [2] *System total*	*Book-Entry holdings* [2] *% of marketable securities outstanding*	*Definitive marketable securities outstanding* [3]
1968	$236.8	$ 36.5	15.4	$200.3
1969	235.9	38.2	16.2	197.7
1970	247.7	121.3	48.9	126.4
1971	262.0	152.6	58.2	109.4
1972	269.5	160.2	59.4	109.3
1973	270.2	176.6	65.4	93.6
1974	281.3	201.4	71.6	79.9
1975	363.2	285.1	78.5	78.1
January 1976	369.3	292.6	79.8	76.7
February 1976	378.8	299.1	79.0	79.7
March 1976	385.3	306.0	79.4	79.3

Marketable Federal Agency Securities in Book-Entry Form
1974 to Date

(Dollar amounts in billions)

End of period	*Marketable Agency securities outstanding* [4]	*Book-Entry holdings* [2] *System total*	*Book-Entry holdings* [2] *% of marketable securities outstanding*	*Definitive marketable securities outstanding* [3]
1974	$71.9	$23.2	32.3	$48.7
1975	74.4	40.5	54.4	33.9
January 1976	74.2	45.2	60.9	29.0
February 1976	73.4	46.7	63.6	26.7
March 1976	75.6	50.2	66.4	25.4

1 Source: Monthly Statement of the Public Debt; excludes Federal Financing Bank securities for July 1974 and subsequent periods.

2 Source: Treasury Department and this Bank.

3 Includes both bearer and registered securities.

4 Source: Dealer quotation sheets.

TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE March 31, 1976

FORMATION OF A TREASURY-FEDERAL RESERVE TASK FORCE ESTABLISHED TO EXPAND THE BOOK-ENTRY PROGRAM OF ISSUING GOVERNMENT SECURITIES

Secretary of the Treasury William E. Simon today announced the formation of a Treasury-Federal Reserve Task Force, established to expand the book-entry program of issuing Government securities. The Secretary commented that the expansion of the book-entry program over the past eight years has been most gratifying. At the end of February 1976, the amount of United States Treasury bills, notes and bonds in book-entry form reached a level of $299.1 billion or 79% of the total marketable debt.

Initiated in 1968, the book-entry procedure eliminates the issuance of engraved Treasury securities in favor of book-entries maintained at Federal Reserve Banks for the accounts of commercial banks which are members of the Federal Reserve System. The book-entry procedure is currently available to both individuals and institutions acting through such member banks. The book-entry procedure offers substantial benefits to investors, the financial community, and the Treasury. It reduces the burden of paperwork created by the mounting volume of public debt transactions; it protects against loss, theft, and counterfeiting; and it substantially reduces the cost of issuing, storing and delivering Treasury securities.

The Treasury-Federal Reserve Task Force will design and adopt an expanded book-entry system with the ultimate objective of completely eliminating the use of definitive securities in new public debt borrowings. During the course of this effort, the views and comments of the financial community and other interested parties will be solicited.