

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 7939
August 20, 1976

UPDATE ON BOOK-ENTRY PROCEDURE
Treasury Plans To Phase Out Definitive
Treasury Bills in New Borrowings

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

In our Circular No. 7858, dated April 20, 1976, we reported on the progress of the Federal Reserve/U.S. Treasury book-entry program over the past eight years, and indicated that the Treasury expects eventually to eliminate the issuance of any definitive securities in connection with new public debt borrowings.

At the end of June 1976 almost 82 percent of marketable Treasury securities outstanding was in book-entry form. In addition, as of the same date, the program also included \$54 billion of eligible Federal Agency obligations, representing nearly 69 percent of the outstanding debt of those Agencies. Printed on the reverse side is a table showing the progress of the program from 1968 through June 1976.

In light of this progress, the Department of the Treasury has announced (in the enclosed press release) that, with one exception, during the latter part of 1976 the Treasury will begin issuing 52-week Treasury bills in book-entry form only. Definitive securities will continue to be made available for a short period of time to institutional investors that are prevented, either by law or by regulation, from holding securities in book-entry form; such definitive securities will be available only in \$100,000 denominations. In addition, sometime during the first nine months of 1977, the Treasury plans to commence similar offerings of 26-week and 13-week bills in book-entry form only.

In this connection, the Treasury also proposes to establish direct book-entry accounts for any subscribers who elect not to deal through commercial banks. This service, although limited, will be provided at no cost to the subscribers, who may present tenders and payments either through a Federal Reserve Bank or directly to the Department of the Treasury in Washington, D.C. Further information concerning this service will be made available prior to the initial offering of 52-week bills on a "book-entry-only" basis.

The success of the expanded book-entry program will depend largely upon the extent to which holders of outstanding Treasury issues in definitive form continue to convert such holdings into book-entry securities through member banks of the Federal Reserve System. Accordingly, we again invite you to discuss with us any difficulties you may be encountering, due to legal or other impediments, in your efforts to make full use of the book-entry procedure. Any comments or inquiries 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).

PAUL A. VOLCKER,
President.

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

(Dollar amounts in billions)

<i>End of period</i>	<i>Marketables</i> ¹	<i>Book-Entry holdings</i> ²			<i>Definitive outstanding</i> ³
		<i>System total</i>		<i>New York</i>	
		<i>Amount</i>	<i>Percent</i>	<i>Federal Reserve Bank</i>	
1968	\$236.8	\$ 36.5	15.4	\$ 21.0	\$200.3
1969	235.9	38.2	16.2	21.2	197.7
1970	247.7	121.3	48.9	96.6	126.4
1971	262.0	152.6	58.2	124.6	109.4
1972	269.5	160.2	59.4	129.2	109.3
1973	270.2	176.6	65.4	135.6	93.6
1974	281.3	201.4	71.6	151.5	79.9
1975	363.2	285.1	78.5	194.5	78.1
1976 (April)	386.4	309.2	80.0	209.8	77.2
1976 (May)	388.0	312.8	80.6	209.7	75.2
1976 (June)	392.6	320.4	81.6	214.5	72.2

**Marketable Government Agency Securities in Book-Entry Form
1974 to Date**

(Dollar amounts in billions)

<i>End of period</i>	<i>Marketables</i> ⁴	<i>Book-Entry holdings</i> ²			<i>Definitive outstanding</i> ³
		<i>System total</i>		<i>New York</i>	
		<i>Amount</i>	<i>Percent</i>	<i>Federal Reserve Bank</i>	
1974	\$ 71.9	\$ 23.2	32.3	\$ 8.4	\$ 48.7
1975	74.4	40.5	54.4	16.1	33.9
1976 (April)	75.3	50.7	67.3	23.7	24.6
1976 (May)	75.9	52.0	68.5	23.8	23.9
1976 (June)	78.6	54.0	68.7	24.6	24.6

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.



FOR IMMEDIATE RELEASE

August 18, 1976

ENGRAVED TREASURY SECURITIES GIVING WAY TO BOOK-ENTRY

The Treasury Department today reported that book-entry securities now represent 81.6 percent, or \$320.4 billion, of the marketable public debt. Of the outstanding marketable Treasury issues, 86 percent of the Treasury bills, 78 percent of the Treasury notes, and 66 percent of the Treasury bonds are in book-entry form, rather than in engraved certificates.

In a progress report on the program to accelerate expansion of the book-entry system, as announced by Secretary William E. Simon on March 31, Treasury now proposes that the objectives of a certificateless system for marketable Treasury securities be accomplished in two phases, with the first phase directed at Treasury bills.

It is tentatively planned that beginning in the latter part of 1976, the Treasury, with one exception, will issue 52-week bills only in book-entry form. The exception is for a small number of institutional investors, prevented either by law or by regulation from holding securities in book-entry form, to purchase bills of the \$100,000 denomination for a limited period of time.

It is anticipated that similar offerings of 26-week and 13-week bills, in book-entry form only, would follow during the first nine months of 1977. Book-entry bills for these issues would be available through member banks of the Federal Reserve System and the Department of the Treasury.

Tenders for book-entry bills to be issued by Treasury could be submitted either directly or through a Federal Reserve Bank. While the accounts would be established and maintained without charge to the investor, there would be some limitations on the services the Treasury would provide.

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It is recognized that the implementation of this plan will have a far-reaching effect on the marketing of Treasury securities, and will be of interest to the general public and the financial community. Accordingly, the Treasury and Federal Reserve Banks plan to undertake a public information program to further acquaint investors with the operational details of the plan and obtain their reaction. Dates and locations for open hearings on this proposal will be announced in the near future.

The book-entry procedure was initiated in 1968 by the Federal Reserve Banks for the accounts of commercial bank members of the Federal Reserve System. It was later extended to include individuals and institutions. The book-entry system 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.

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