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To the Addressee:

Enclosed is a copy of a statement issued on February 22, 1985 by the Treasury Department announcing plans to offer its marketable securities in book-entry form only, beginning about mid-year 1986.

Questions regarding this announcement should be directed to Robert J. Kammarada, Chief, Issues Division (Tel. No. 212-791-8180). Additional copies of the enclosure are available upon request directed to the Circulars Division.

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TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-2041

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TREASURY ANNOUNCES PLANS TO OFFER ITS MARKETABLE SECURITIES IN BOOK-ENTRY FORM ONLY

The Department of the Treasury has announced plans to offer issues of its marketable bonds and notes in book-entry form exclusively, beginning in 1986. The Treasury hopes that this early announcement will help investors and the financial community with their planning and enable States to change their laws, where such laws may still specify holding securities in certificate form for certain purposes.

Although Treasury bonds and notes are available today in both engraved certificate and book-entry form, approximately 95% of Treasury marketable securities, including all Treasury bills, are presently held as book-entries. The book-entry procedure, in which securities are issued and maintained as computerized records, offers important benefits to investors, the financial community, and the Treasury by substantially improving operating efficiency and eliminating the risk of loss in handling engraved certificates. Payment at maturity is automatic and does not require presentation of a security. Recognizing the efficiencies of the book-entry system, the President's Private Sector Survey on Cost Control (Grace Commission) has endorsed Treasury plans for full book-entry.

Investors may obtain bonds and notes in book-entry form today through depository institutions, brokers and dealers that have book-entry accounts linked to or maintained directly at Federal Reserve Banks and Branches. When full book-entry is implemented in 1986, investors will also be able to establish book-entry bond and note accounts directly with the Treasury, as they can today for Treasury bills. A new automated system currently is being developed for Treasury by the Philadelphia Federal Reserve Bank to maintain and service such marketable securities.

Bonds and notes that have been issued under offering circulars that authorize both certificate and book-entry form will continue to be available in such forms even after the implementation date for full book-entry in 1986.

During the coming year, Treasury intends to provide periodic updates on the status of its book-entry plans.

QUESTIONS AND ANSWERS ABOUT FULL BOOK-ENTRY

1. Why is Treasury planning to move to full book-entry?

Book-entry securities are significantly less costly to issue and service than engraved certificates. Book-entry also reduces the risk of loss to investors.

2. What does full book-entry mean?

Full book-entry means that about mid-1986 (the exact date has not yet been determined) the Treasury will offer new issues of marketable Treasury bonds and notes in book-entry form only. Engraved certificates will not be available for these new issues.

3. How do book-entry Treasury securities differ from registered securities?

Book-entry securities are evidenced by computer entries on the records of Treasury, a Federal Reserve Bank, a financial institution, or other custodian, while registered securities are engraved certificates held by the investor. With book-entry securities, interest payments and the par amount at maturity are paid automatically. With registered securities, interest is paid automatically, but the certificate must be presented for payment at maturity.

4. In what forms are Treasury securities currently available?

Treasury bills have been offered only in book-entry form since 1979. New issues of Treasury bonds and notes are offered today in either book-entry or registered form.

5. What Treasury securities are affected?

All Treasury marketable securities will be affected. The elimination of engraved certificates will only affect bonds and notes since bills have been available only in book-entry form since 1979. However, all Treasury marketable securities - bonds, notes and bills - will be affected in that they will all be governed by a new, single set of regulations. No other Treasury securities, including savings bonds, will be affected.

6. If an investor has a registered or bearer security issued prior to full book-entry, will it have to be converted to book-entry in 1986?

No. If an offering of Treasury securities authorized their issuance in bearer or registered form, they will continue to be available in such form until the maturity of those securities, and no outstanding certificates will be affected by full book-entry.

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7. Will my existing book-entry account at a financial institution be affected by this change?

No. Investors will be able to continue to have their Treasury securities held in book-entry accounts at financial institutions, brokers, etc. With this change, investors will also be able to hold book-entry bonds and notes directly in a Treasury account.

8. Once full book-entry is in effect, will I be able to purchase Treasury securities through a commercial financial institution?

Yes, purchases can be arranged in the same way as they are today. In addition, investors will be able to purchase book-entry bonds and notes directly from a Federal Reserve Bank or Branch and have the book-entry securities held in an account maintained by the Department of the Treasury. A new automated system is being developed which will allow investors to have a single account with Treasury for their bonds, notes and bills.

9. Will I be charged a fee for holding book-entry securities in an account with Treasury?

It is expected that book-entry note and bond accounts with the Treasury will be maintained free of charge, just as book-entry bill accounts are today.

10. Will I be able to sell or pledge book-entry securities?

Yes. Book-entry bonds and notes held at financial institutions and securities dealers will remain as marketable as bonds and notes issued in certificate form. However, securities held in the Treasury system will not be available for a direct pledge or sale. They will first have to be transferred to a financial institution before the pledge or sale can be conducted.

11. Will any exceptions be made to full book-entry for institutional investors who may currently be required by State law or regulation to hold Treasury securities in certificate form?

No. New issues of marketable Treasury securities will not be available in certificate form once full book-entry is in effect.