

FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

Circular No. 9938
October 23, 1985

OFFERING OF TWO SERIES OF TREASURY BILLS

\$7,100,000,000 of 91-Day Bills, To Be Issued October 31, 1985, Due January 30, 1986

\$7,100,000,000 of 182-Day Bills, To Be Issued October 31, 1985, Due May 1, 1986

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

Following is the text of a notice issued by the Treasury Department:

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$14,200 million, to be issued October 31, 1985. This offering will not provide new cash for the Treasury, as the maturing bills are outstanding in the amount of \$14,294 million. Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. 20239, prior to 1:00 p.m., Eastern time, Monday, October 28, 1985. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$7,100 million, representing an additional amount of bills dated August 1, 1985, and to mature January 30, 1986 (CUSIP No. 912794 JQ8), currently outstanding in the amount of \$7,239 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$7,100 million, to be dated October 31, 1985, and to mature May 1, 1986 (CUSIP No. 912794 KD5).

The bills will be issued on a discount basis under competitive and non-competitive bidding, and at maturity their par amount will be payable without interest. Both series of bills will be issued entirely in book-entry form in a minimum amount of \$10,000 and in any higher \$5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

The bills will be issued for cash and in exchange for Treasury bills maturing October 31, 1985. In addition to the maturing 13-week and 26-week bills, there are \$8,259 million of maturing 52-week bills. The disposition of this latter amount was announced last week. Tenders from Federal Reserve Banks for their own account and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rates of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold \$2,446 million of the original 13-week and 26-week issues. Federal Reserve Banks currently hold \$2,556 million as agents for foreign and international monetary authorities, and \$4,413 million for their own account. These amounts represent the combined holdings of such accounts for the three issues of maturing bills. Tenders for bills to be maintained on the book-entry records of the Department of the Treasury should be submitted on Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series).

Each tender must state the par amount of bills bid for, which must be a minimum of \$10,000. Tenders over \$10,000 must be in multiples of \$5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than \$1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of \$200 million. This information should reflect positions held as of 12:30 p.m., Eastern time, on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions as well as holdings of outstanding bills with the same maturity date as

the new offering, e.g., bills with three months to maturity previously offered as six-month bills. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds \$200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any non-competitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for \$1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids for the respective issues. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on the issue date, in cash or other immediately-available funds or in Treasury bills maturing on that date. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositories may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series—Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

This Bank will receive tenders for both series prior to 1:00 p.m., Eastern Standard time, Monday, October 28, 1985, at the Securities Department of its Head Office and at its Buffalo Branch. Tender forms for both series are enclosed. Please be sure to use them to submit tenders and return them in the enclosed envelope. Forms for submitting tenders directly to the Treasury are available from the Government Bond Division of this Bank. Tenders not requiring a deposit may be submitted by telegraph, subject to written confirmation; no tenders may be submitted by telephone. Settlement must be made in cash or other immediately available funds or in Treasury securities maturing on or before the issue date. Treasury Tax and Loan Note Option Depositories may make payment for Treasury bills by credit to their Treasury Tax and Loan Note Accounts.

Results of the last weekly offering are shown on the reverse side of this circular.

E. GERALD CORRIGAN,
President.

(OVER)

RESULTS OF LAST WEEKLY OFFERING OF TREASURY BILLS
(TWO SERIES TO BE ISSUED OCTOBER 24, 1985)

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills			:	26-week bills		
	maturing January 23, 1986			:	maturing April 24, 1986		
	Discount	Investment		:	Discount	Investment	
	Rate	Rate 1/	Price	:	Rate	Rate 1/	Price
Low	7.16%	7.39%	98.190	:	7.30%	7.69%	96.309
High	7.19%	7.42%	98.183	:	7.33%	7.72%	96.294
Average	7.18%	7.41%	98.185	:	7.32%	7.71%	96.299

Tenders at the high discount rate for the 13-week bills were allotted 13%.
Tenders at the high discount rate for the 26-week bills were allotted 2%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>	:	<u>Received</u>	<u>Accepted</u>
Boston	\$ 148,530	\$ 48,400	:	\$ 167,010	\$ 87,010
New York	25,362,080	5,869,950	:	16,684,755	5,497,635
Philadelphia	52,385	40,775	:	18,965	18,965
Cleveland	72,895	69,620	:	37,940	37,940
Richmond	107,305	49,905	:	83,810	54,210
Atlanta	49,795	48,795	:	49,205	33,325
Chicago	1,612,420	127,430	:	1,572,255	206,775
St. Louis	100,025	80,025	:	57,205	17,205
Minneapolis	41,415	13,675	:	27,740	16,760
Kansas City	71,620	63,620	:	105,940	105,940
Dallas	49,040	39,040	:	31,730	21,830
San Francisco	1,375,515	101,190	:	1,729,690	415,790
Treasury	350,635	350,635	:	403,390	403,390
TOTALS	\$29,393,660	\$6,903,060	:	\$20,969,635	\$6,916,775
<u>Type</u>					
Competitive	\$26,544,260	\$4,053,660	:	\$18,293,325	\$4,240,465
Noncompetitive	1,308,065	1,308,065	:	990,710	990,710
Subtotal, Public	\$27,852,325	\$5,361,725	:	\$19,284,035	\$5,231,175
Federal Reserve	1,213,435	1,213,435	:	1,200,000	1,200,000
Foreign Official			:		
Institutions	327,900	327,900	:	485,600	485,600
TOTALS	\$29,393,660	\$6,903,060	:	\$20,969,635	\$6,916,775

1/ Equivalent coupon-issue yield.