FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

Circular No. **9974**
December 18, 1985

OFFERING OF TWO SERIES OF TREASURY BILLS

$7,600,000,000 of 91-Day Bills, To Be Issued December 26, 1985, Due March 27, 1986
$7,600,000,000 of 182-Day Bills, To Be Issued December 26, 1985, Due June 26, 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 $15,200 million, to be issued December 26, 1985. This offering will result in a paydown for the Treasury of about $1,375 million, as the maturing bills total $16,584 million (including the 78-day cash management bills issued October 9, 1985, in the amount of $5,010 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 Standard time, Monday, December 23, 1985. The two series offered are as follows:

91-day bills (to maturity date) for approximately $7,600 million, representing an additional amount of bills dated September 26, 1985, and to mature March 27, 1986 (CUSIP No. 912794 JY1), currently outstanding in the amount of $7,539 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $7,600 million, to be dated December 26, 1985, and to mature June 26, 1986 (CUSIP No. 912794 KM5).

The bills will be issued on a discount basis under competitive and noncompetitive 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 December 26, 1985. In addition to the maturing 13-week and 26-week bills, there are $8,587 million of maturing 52-week bills. The disposition of this latter amount of 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 the purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $2,145 million of the original 13-week and 26-week issues. Federal Reserve Banks currently hold $2,330 million as agents for foreign and international monetary authorities, and $4,523 million for their own account. These amounts represent the combined holdings of such accounts for the four 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 noncompetitive 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 December 26, 1985, in cash or other immediately-available funds or in Treasury bills maturing December 26, 1985; provided, however, that settlement for tenders submitted to the Federal Reserve Bank Branch in Charlotte must be completed at that Branch on December 27, 1985, and must include one day's accrued interest if settlement is made with other than Treasury bills maturing December 26, 1985. 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 Depositaries 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, December 23, 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 Depositaries 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 DECEMBER 19, 1985)

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing March 20, 1986			26-week bills maturing June 19, 1986		
	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/	Price
Low	6.95%	7.17%	98.243	6.98%	7.34%	96.471
High	7.04%	7.27%	98.220	7.03%	7.39%	96.446
Average	7.00%	7.22%	98.231	7.01%	7.37%	96.456

Tenders at the high discount rate for the 13-week bills were allotted 18%.
Tenders at the high discount rate for the 26-week bills were allotted 6%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted	Received	Accepted
Boston	$ 38,560	$ 38,560	$ 22,840	$ 22,840
New York	16,055,640	6,118,640	15,225,640	6,283,700
Philadelphia	28,725	28,725	15,520	15,520
Cleveland	44,990	44,990	23,790	23,790
Richmond	43,695	43,695	36,555	36,555
Atlanta	33,235	33,235	71,540	71,540
Chicago	1,607,095	386,595	1,716,205	451,765
St. Louis	70,630	50,630	79,410	39,710
Minneapolis	62,125	62,125	39,180	39,180
Kansas City	49,940	49,940	83,835	83,835
Dallas	34,195	34,195	25,995	25,995
San Francisco	1,181,500	411,000	1,054,745	251,805
Treasury	300,045	300,045	254,935	254,935
TOTALS	$19,550,375	$7,602,375	$18,650,190	$7,601,170
Type				
Competitive	$16,136,020	$4,188,020	$15,652,965	$4,603,945
Noncompetitive	1,045,220	1,045,220	747,105	747,105
Subtotal, Public	$17,181,240	$5,233,240	$16,400,070	$5,351,050
Federal Reserve	1,937,255	1,937,255	1,950,000	1,950,000
Foreign Official Institutions	431,880	431,880	300,120	300,120
TOTALS	$19,550,375	$7,602,375	$18,650,190	$7,601,170

An additional $4,620 thousand of 13-week bills and an additional $4,580 thousand of 26-week bills will be issued to foreign official institutions for new cash.

1/ Equivalent coupon-issue yield.