

**FEDERAL RESERVE BANK
OF NEW YORK**
Fiscal Agent of the United States

Circular No. 10,016
March 19, 1986

**TREASURY AUCTION OF 4-YEAR AND 7-YEAR NOTES
TOTALING \$13,500 MILLION**

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

The following statement has been issued by the Treasury Department:

The Treasury will raise about \$9,750 million of new cash by issuing \$7,000 million of 4-year notes and \$6,500 million of 7-year notes. This offering will also refund \$3,746 million of 4-year notes maturing March 31, 1986. The \$3,746 million of maturing 4-year notes are those held by the public, including \$437 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities.

In addition to the maturing 4-year notes, there are \$8,348 million of maturing 2-year notes held by the public. The disposition of this latter amount was announced last week. Federal Reserve Banks, as agents for foreign and international monetary authorities, currently hold \$1,035 million, and Government accounts and Federal Reserve Banks for their own accounts hold \$1,458 million of maturing 2-year and 4-year notes. The maturing securities held by Federal Reserve Banks for their own account may be refunded by issuing additional amounts of the new 2-year and 4-year notes at the average prices of accepted competitive tenders.

The \$13,500 million is being offered to the public, and any amounts tendered by Federal Reserve Banks as agents for foreign and international monetary authorities will be added to that amount. Tenders for such accounts will be accepted at the average prices of accepted competitive tenders.

The Treasury Department announced that it will not offer the 20-year bond usually announced at this time in the quarter. In the absence of sufficient certainty that Congress will act soon on pending legislation to increase Treasury's bond authority, the Treasury decided to preserve its remaining authority for the 30-year bond tentatively scheduled for announcement on April 30. Treasury has used \$191.6 billion of the present \$200 billion authority to issue bonds (maturities over 10 years) without regard to the 4¼ percent ceiling on such issues. The remaining \$8.4 billion is not enough to provide for reasonable amounts of both a 20-year bond and a 30-year bond; and the 30-year bond has been the more attractive issue in the market and thus less costly to the Treasury.

Printed on the reverse side is a table summarizing the highlights of the offerings. Copies of the official offering circulars will be furnished upon request directed to our Government Bond Division (Tel. No. 212-791-6619). In addition, enclosed are copies of the forms to be used in submitting tenders.

This Bank will receive tenders at the Securities Department of its Head Office and at its Buffalo Branch on the dates and times specified on the reverse side of this circular as the deadlines for receipt of tenders. *All competitive tenders*, whether transmitted by mail or by other means, must reach this Bank or its Branch by that time on the specified dates. However, for investors who wish to submit noncompetitive tenders and who find it more convenient to mail their tenders than to present them in person, the official offering circular for each offering provides that *noncompetitive* tenders will be considered timely received if they are mailed to this Bank or its Branch under a postmark no later than the date preceding the date specified for receipt of tenders.

Bidders submitting noncompetitive tenders should realize that it is possible that the average price may be above par, in which case they would have to pay more than the face value for the securities.

Payment with a tender may be made in cash, by check, in Treasury securities maturing on or before the issue date of the securities being purchased, by a charge to an institution's reserve account at this Bank, or, in the case of Treasury Tax and Loan Note Option Depositaries, by credit to a Treasury Tax and Loan Note Account. Payment by check must be in the form of an official bank check, a Federal funds check (a check drawn by a depository institution on its Federal Reserve account), or a personal check, which need not be certified. All checks must be drawn payable to the Federal Reserve Bank of New York; *checks endorsed to this Bank will not be accepted.*

Recorded messages provide information about Treasury offerings and about auction results: at the Head Office — Tel. No. 212-791-7773 (offerings) and Tel. No. 212-791-5823 (results); at the Buffalo Branch — Tel. No. 716-849-5158 (offerings) and Tel. No. 716-849-5046 (results). Additional inquiries regarding this offering may be made by calling, at the Head Office, Tel. No. 212-791-6619, or, at the Buffalo Branch, Tel. No. 716-849-5016.

E. GERALD CORRIGAN,
President.

(Over)

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC OF 4-YEAR AND 7-YEAR NOTES

	<u>4-Year Notes</u>	<u>7-Year Notes</u>
Amount Offered:		
To the public	\$7,000 million	\$6,500 million
Description of Security:		
Term and type of security	4-year notes	7-year notes
Series and CUSIP designation.....	Series N-1990 (CUSIP No. 912827 TL6)	Series F-1993 (CUSIP No. 912827 TM4)
Issue date	March 31, 1986	April 3, 1986
Maturity date	March 31, 1990	April 15, 1993
Call date	No provision	No provision
Interest rate	To be determined, based on the average of accepted bids	To be determined, based on the average of accepted bids
Investment yield	To be determined at auction	To be determined at auction
Premium or discount	To be determined after auction	To be determined after auction
Interest payment dates	September 30 and March 31	October 15 and April 15 (first payment on October 15, 1986)
Minimum denomination available ..	\$1,000	\$1,000
Terms of Sale:		
Method of sale	Yield auction	Yield auction
Competitive tenders	Must be expressed as an annual yield, with two decimals, e.g., 7.10%	Must be expressed as an annual yield, with two decimals, e.g., 7.10%
Noncompetitive tenders	Accepted in full at the average price up to \$1,000,000	Accepted in full at the average price up to \$1,000,000
Accrued interest payable by investor ..	None	None
Payment through Treasury Tax and Loan (TT&L) Note Accounts....	Acceptable for TT&L Note Option Depositories	Acceptable for TT&L Note Option Depositories
Payment by non-institutional investors.....	Full payment to be submitted with tender	Full payment to be submitted with tender
Deposit guarantee by designated institutions.....	Acceptable	Acceptable
Key Dates:		
Receipt of tenders	Tuesday, March 25, 1986, prior to 1:00 p.m., EST	Wednesday, March 26, 1986, prior to 1:00 p.m., EST
Settlement (final payment due from institutions)		
a) cash or Federal funds	Monday, March 31, 1986	Thursday, April 3, 1986
b) readily collectible check	Thursday, March 27, 1986	Tuesday, April 1, 1986

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TREASURY NEWS

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

RESULTS OF AUCTION OF 4-YEAR NOTES

Auction date: March 25, 1986

The Department of the Treasury has accepted \$7,040 million of \$26,754 million of tenders received from the public for the 4-year notes, Series N-1990, auctioned today. The notes will be issued March 31, 1986, and mature March 31, 1990.

The interest rate on the notes will be 7-1/4%. The range of accepted competitive bids, and the corresponding prices at the 7-1/4% interest rate are as follows:

	<u>Yield</u>	<u>Price</u>
Low	7.29%	99.863
High	7.29%	99.863
Average	7.29%	99.863

Tenders at the high yield were allotted 75%.

TENDERS RECEIVED AND ACCEPTED (In Thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	\$ 42,139	\$ 9,139
New York	23,523,498	6,684,988
Philadelphia	7,720	7,720
Cleveland	107,061	19,061
Richmond	62,526	13,526
Atlanta	26,931	16,931
Chicago	1,739,863	150,863
St. Louis	82,954	72,954
Minneapolis	4,438	4,438
Kansas City	42,192	41,192
Dallas	8,999	2,999
San Francisco	1,104,385	15,385
Treasury	800	800
Totals	\$26,753,506	\$7,039,996

The \$7,040 million of accepted tenders includes \$447 million of noncompetitive tenders and \$6,593 million of competitive tenders from the public.

In addition to the \$7,040 million of tenders accepted in the auction process, \$465 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional \$458 million of tenders was also accepted at the average price from Government accounts and Federal Reserve Banks for their own account in exchange for maturing securities.

RESULTS OF AUCTION OF 7-YEAR NOTES

Auction date: March 26, 1986

The Department of the Treasury has accepted \$6,505 million of \$15,996 million of tenders received from the public for the 7-year notes, Series F-1993, auctioned today. The notes will be issued April 3, 1986, and mature April 15, 1993.

The interest rate on the notes will be 7-3/8%. The range of accepted competitive bids, and the corresponding prices at the 7-3/8% interest rate are as follows:

	<u>Yield</u>	<u>Price</u>
Low	7.44%	99.640
High	7.50%	99.318
Average	7.48%	99.425

Tenders at the high yield were allotted 59%.

TENDERS RECEIVED AND ACCEPTED (In Thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	\$ 23,432	\$ 3,432
New York	13,762,745	5,272,093
Philadelphia	773	773
Cleveland	172,995	150,445
Richmond	17,629	8,809
Atlanta	10,888	7,888
Chicago	1,398,904	940,044
St. Louis	42,118	26,118
Minneapolis	6,750	6,750
Kansas City	15,298	15,298
Dallas	7,875	6,645
San Francisco	535,822	66,702
Treasury	385	385
Totals	<u>\$15,995,614</u>	<u>\$6,505,382</u>

The \$6,505 million of accepted tenders includes \$314 million of noncompetitive tenders and \$6,191 million of competitive tenders from the public.