

(Closed)

## Federal Reserve Bank of New York

Offering of \$500,000,000 (or thereabouts)

United States of America Treasury Certificates of Indebtedness

Dated and bearing interest from December 15, 1920

Series TJ2—1921, 5¾ Per Cent. Due June 15, 1921

Series TD—1921, 6 Per Cent. Due December 15, 1921

*To all Banks, Trust Companies, Savings Banks, Bankers, Investment Dealers and Principal Corporations in the Second Federal Reserve District:*

The Secretary of the Treasury, under the authority of the act approved September 24, 1917, as amended, offers for subscription, at par and accrued interest, through the Federal Reserve Banks, Treasury certificates of indebtedness, in two series, both dated and bearing interest from December 15, 1920, the certificates of Series T J 2—1921 being payable on June 15, 1921 and bearing interest at the rate of five and three-quarters per cent. per annum and the certificates of Series T D—1921 being payable on December 15, 1921 and bearing interest at the rate of six per cent. per annum payable semi-annually.

Applications will be received at the Federal Reserve Banks.

Bearer certificates will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000, and \$100,000. *The certificates of Series T J 2—1921 will have one interest coupon attached, payable June 15, 1921, and the certificates of Series T D—1921, two interest coupons attached payable June 15 and December 15, 1921.*

The certificates of both said series shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess profits and war-profits taxes, now or hereafter imposed by the United States, upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of bonds and certificates authorized by said act approved September 24, 1917, and amendments thereto, the principal of which does not exceed in the aggregate \$5,000, owned by any individual, partnership, association or corporation, shall be exempt from the taxes provided for in clause (b) above.

*Certificates of these series will be accepted at par, with an adjustment of accrued interest, during such time and under such rules and regulations as shall be prescribed or approved by the Secretary of the Treasury, in payment of income and profits taxes payable at the maturity of the certificates, respectively. The certificates of these series do not bear the circulation privilege.*

The right is reserved to reject any subscription and to allot less than the amount of certificates of either or both series applied for and to close the subscriptions as to either or both series at any time without notice. Payment at par and accrued interest for certificates allotted must be made on or before December 15, 1920, or on later allotment. After allotment and upon payment Federal Reserve Banks may issue interim receipts pending delivery of the definitive certificates. Any qualified depository will be permitted to make payment by credit for certificates allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district. *Treasury certificates of indebtedness of Series T D—1920, maturing December 15, 1920, of Series A—1921, maturing January 3, 1921, and of Series B—1921, maturing January 15, 1921, will be accepted at par, with an adjustment of accrued interest, in payment for any certificates of the Series T J 2—1921 or T D—1921 now offered which shall be subscribed for and allotted.*

As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions and to make allotment in full in the order of the receipt of applications up to amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts.

Yours very truly,

J. H. CASE,

*Acting Governor*

New York, December 8, 1920.

*The attention of subscribers is directed to the conditions described in the last paragraph of this circular.*

Reprint of Letter of the Secretary of the Treasury to the Presidents of Banking  
Institutions of the United States on the Current 5¼ and 6 Per Cent.  
Issues of Treasury Certificates of Indebtedness.

Washington, D. C., December 8, 1920.

Dear Sir: About \$700,000,000 of Treasury certificates of indebtedness mature on December 15, 1920, about \$175,000,000 on January 3, 1921 and about \$125,000,000 additional on January 15, 1921. On December 15, 1920 there will also become payable the semi-annual interest on the First Liberty Loan and Victory Liberty Loan aggregating about \$140,000,000. The greater part of the \$700,000,000 of tax certificates maturing on December 15 will be covered by the installment of income and profits taxes payable on that date. In order to meet the remainder of these heavy maturities of principal and interest and at the same time provide for the current requirements of the Government, the Treasury has decided, on the basis of the best estimates available at this time, to offer Treasury certificates of indebtedness in the amount of \$500,000,000 or thereabouts, in two series dated December 15, 1920, one series designated T J 2—1921, bearing 5¼ per cent. interest maturing June 15, 1921, and the other series designated T D—1921 bearing 6 per cent. interest and maturing December 15, 1921. Applications for Treasury certificates of these series will be received through the several Federal Reserve Banks, from which full particulars concerning the offering may be obtained. Treasury certificates of the series maturing December 15, 1920, January 3, 1921, and January 15, 1921 will be accepted at par with an adjustment of accrued interest in payment for any certificates of the two series now offered which may be subscribed for and allotted.

As indicated in the circular letter of September 7, 1920 to the banking institutions of the country the operations of the Treasury for the first quarter of the present fiscal year, ended September 30, 1920, showed a surplus of ordinary receipts over ordinary expenditures amounting to \$289,224,706.29 notwithstanding actual cash payments to railroads during the quarter of some \$275,000,000 under the provisions of the Transportation Act in connection with the return of the railroads to private control. The Treasury's current operations during the months of October and November show a net current deficit (excess of ordinary disbursements over ordinary re-

ceipts) amounting to \$357,134,068.15 of which about \$112,000,000 represents payments to the railroads under the Transportation Act. The Treasury confidently expects, however, that the current quarter ending December 31, 1920 will still show a substantial surplus as the result of the quarterly payment of income and profits taxes in December.

In consequence of the operations incident to the retirement of the Treasury certificates which matured on September 15, and October 15, 1920, and the quarterly payment of income and profits taxes on September 15, the gross debt of the Government on October 31, 1920, on the basis of daily Treasury statements, was reduced to \$24,062,509,672.96, of which about \$2,337,000,000 consisted of loan and tax certificates unmatured. On September 30, 1920, the gross debt had been \$24,087,356,128.65 of which about \$2,347,000,000 were loan and tax certificates unmatured. On November 30, 1920, after the issue of \$232,000,000 of Treasury certificates on November 15 and the retirement on the same date of about \$100,000,000 of maturing certificates, the gross debt, on the basis of daily Treasury statements, amounted to \$24,175,156,244.14 of which about \$2,475,000,000 represented floating debt (loan and tax certificates unmatured). These temporary increases in both gross debt and floating debt will, it is expected, be more than overcome by December 31, 1920 in consequence of the December operations, and both gross debt and floating debt should on December 31 be reduced below the amounts outstanding on September 30. The Government's further progress in retiring the gross debt and the floating debt will depend, of course, upon the relation between current receipts and current expenditures during the coming calendar year, but there is good reason to hope that, unless new burdens are imposed by legislation, there should be important further reductions in the last two quarters of the current fiscal year, provided always that tax receipts are maintained at a sufficiently high level, salvage operations vigorously pressed, and the strictest economy practiced in Government expenditure. The three months which have passed since the last quarterly tax payment

period have been marked by a still further distribution of Treasury certificates among investors and a further reduction of holdings of Treasury certificates by the banks. The reporting member banks of the Federal Reserve System (about 823 member banks in leading cities, which are believed to control about 40 per cent. of the commercial bank deposits of the country and to have subscribed in the first instance for perhaps 75 per cent. of the Treasury certificates of indebtedness now outstanding) held on November 26, 1920 only about \$313,000,000 of Treasury certificates, as compared with reported holdings on August 27, 1920 of about \$430,000,000, and on November 28, 1919 of about \$816,000,000. On December 3, 1920 the Federal Reserve Banks reported that there were pledged with Federal Reserve Banks only about \$214,000,000 of Treasury certificates to secure loans and discounts, notwithstanding the preferential rates still maintained in many of the Federal Reserve Districts and the probability that borrowing banks would use Treasury certificates as convenient collateral to secure loans for commercial purposes.

The Treasury certificates of the two series now offered are exempt, like other Treasury certificates outstanding, from all state and

local taxes (except estate and inheritance taxes) and from the normal Federal income tax and the corporation income tax and are admissible assets for the purpose of calculating profits taxes. The certificates now offered are also acceptable in payment of Federal income and profits taxes payable at their respective maturities, and the United States reserves no option to call them for redemption before maturity. With these features, the attractive rates of interest, and absolute security of principal and interest these certificates are extremely desirable investments and should prove particularly attractive to taxpayers having taxes to pay in the calendar year 1921, as well as to persons having idle funds awaiting investment. In these circumstances, the Treasury believes that banking institutions generally should feel free to enter subscriptions for the two issues now offered with the confident expectation of prompt resale for investment, and urges them, as in the past, to subscribe liberally for the certificates and devote their best efforts to obtain the widest possible distribution among investors.

Cordially yours,

D. F. HOUSTON,

*Secretary.*