FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

[Circular No. 4540
December 4, 1957]

SERIES E AND H SAVINGS BONDS

**Effective January 1, Eligible Purchasers Will Include
All Investors Except Commercial Banks**

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

The following statement was made public today:

The Treasury Department announced today an enlargement of the group of small investors permitted to buy limited amounts of Series E and H Savings bonds.

These bonds are now available only to individuals, personal trust accounts, and employee savings plans. Effective January 1, 1958, any investor, other than commercial banks, will be permitted to buy up to $10,000 per year (maturity value) of Series E or Series H Savings bonds. The same annual purchase limit applies now to individuals.

The Treasury announced that it was taking this step to fill a gap in the Savings bonds program which was created last April by the discontinuance of sales of Series J and K Savings bonds. Since that time small investor groups, other than individuals, have not had available to them any Government security with guaranteed protection against market fluctuations. The Treasury has had a considerable demand in the last few months for securities of this type from a large number of small institutional groups, such as labor unions, fraternal, civic, service, patriotic, and veteran organizations, eleemosynary institutions, and local and State government bodies.

Under the new plan starting in January, anyone who was eligible to buy Series J and K Savings bonds when they were on sale will now be eligible to buy Series E and H bonds, but within a $10,000 limit per year for each series, as compared with the annual purchase limit on J and K bonds of $200,000 per year. The Treasury pointed out that the lower limit will permit the satisfaction of real demands for a security of the Savings bond type without opening up the E and H bonds to large investors. The Treasury also pointed out that the original baby bonds (Series A through D) which preceded the present E bond, had similar rights of ownership by small investors other than individuals.

Series E bonds are the heart of the Treasury's program to encourage thrift throughout the nation among small investors, and have also been very important in helping the Treasury to place more of the public debt in the hands of real savers. Series E bonds now being sold accrue interest at the rate of $3\frac{1}{4}$ percent per annum (compounded semi-annually) when held 8 years and 11 months to maturity, with a somewhat lesser rate of interest if redeemed before maturity.

Series H bonds, on the other hand, are issued at par and mature at par, and pay interest by check semi-annually with rates comparable to the E bonds on early redemption. Series H bonds pay $3\frac{1}{4}$ percent interest if held for their full 10 years to maturity. The minimum denomination E bond is $25 maturity value (issue price $18.75), and on the H bond, it is $500.

Sales of Series E bonds in the fiscal year ended June 30, 1957, amounted to $3.9 billion, and sales of Series H bonds, $0.7 billion. As of October 31, 1957, there were $41.5 billion of Series E and H bonds outstanding.

Series E and H bonds for investors other than individuals will be issued only by Federal Reserve Banks or Branches or at the Treasury, but as was the case with Series J and K bonds, subscriptions will be accepted by commercial banks throughout the country for forwarding to the Federal Reserve Bank of their District for issuance of the bonds.

ALFRED HAYES,
President.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis