

FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

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Treasury Plans to Sell Long-Term Bonds
Through Competitive Bidding

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

Following is the text of a statement issued by the Treasury Department, released for publication in this morning's newspapers:

The Treasury announced today its intention to test a new technique in borrowing operations—the sale of long-term bonds through an underwriting syndicate on the basis of competitive bidding.

The experiment will be made at some time during the next six months, after there has been full opportunity for comment and appraisal by both investors and the banks and other financial institutions which might wish to participate in bidding for and distributing the bonds. The amount to be offered will be in the order of magnitude of one-quarter of a billion dollars.

The basic procedures to be followed will be similar to those which have been widely used for many years in selling State and local government securities and the bonds of privately owned public utilities. It is anticipated that potential underwriters will form bidding groups. The bonds will be awarded to the group offering the highest bid (the lowest interest cost) for bonds bearing a given coupon and maturity and call provision, if any. The Secretary of the Treasury will reserve the right to reject any or all bids.

The Treasury's objective is to explore the practicability of this technique for occasionally placing moderate amounts of marketable long-term Government bonds in the hands of the public, at the lowest possible interest cost to the taxpayers and without adverse effects on the markets for other long-term securities.

It is not presently contemplated that offerings of long-term bonds at competitive bidding will be made on a regularly scheduled basis. If this first trial should prove successful, subsequent applications of this technique for selling long-term bonds will be made, with appropriate notice to the market, whenever the general economic environment and capital market conditions seem appropriate for such an offering.

Recognizing that many problems will have to be resolved before this new type of borrowing operation can be initiated, the Treasury wishes to obtain the views of members of the financial community and any other interested persons on the procedural and other aspects of selling long-term Government securities through competitive bidding. Written comments should be addressed to:

Office of Debt Analysis
U. S. Treasury Department
Room 3036, Main Treasury Building
15th and Pennsylvania Avenue, N. W.
Washington 25, D. C.

A public meeting with Treasury officials for discussion of questions and suggestions will be held in the auditorium of the Federal Reserve Bank of New York on Wednesday, October 17, at 3:30 p. m. In making the announcement at this time, the Treasury hopes to give all interested parties adequate time for preliminary consideration, prior to the October 17 meeting, of all of the procedural and other problems which might be encountered in initiating this new borrowing technique.

ALFRED HAYES,
President.