

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. 6731]
May 14, 1971]

Treasury Offers \$1.6 Billion Strip of Weekly Bills

*To All Incorporated Banks and Trust Companies, and Others Concerned,
in the Second Federal Reserve District;*

The following statement was made public today by the Treasury Department:

The Treasury announced today that it will raise \$1.6 billion by auctioning a "strip" of bills consisting of additions to eight outstanding weekly series of Treasury bills. The reopened bills are those which mature June 24 to August 12, 1971, inclusive. They will be reopened in the amount of \$200 million each — a total of \$1.6 billion.

The auction will be on Wednesday, May 19, with payment on Tuesday, May 25. The Treasury noted that, due to the Memorial Day holiday, three regular Treasury bill auctions could be anticipated in the week of May 24, involving the roll-over of outstanding 3, 6, 9 and 12 month bills.

The "strip" of bills now being offered is expected to meet the Treasury's cash needs prior to the period of heavy June tax payments.

Commercial banks may make payment for their own and their customers' accepted tenders by credit to Treasury tax and loan accounts.

Following is the text of the public notice offering the bills referred to in the above statement:

The Treasury Department, by this public notice, invites tenders for additional amounts of eight series of Treasury bills to the aggregate amount of \$1,600,000,000, or thereabouts, for cash. The additional bills will be issued May 25, 1971, will be in the amounts, and will be in addition to the bills originally issued and maturing, as follows:

<i>Amount of additional issue</i>	<i>Original issue dates</i>	<i>Maturity Dates 1971</i>	<i>CUSIP No.</i>	<i>Days from May 25, 1971 to maturity</i>	<i>Amount currently outstanding (in millions)</i>
\$ 200,000,000	December 24, 1970	June 24	912793 KP0	30	\$3,504
200,000,000	December 31, 1970	July 1	912793 KQ8	37	3,503
200,000,000	January 7, 1971	July 8	912793 KX3	44	3,603
200,000,000	January 14, 1971	July 15	912793 KY1	51	3,609
200,000,000	January 21, 1971	July 22	912793 KZ8	58	3,602
200,000,000	January 28, 1971	July 29	912793 LA2	65	3,602
200,000,000	February 4, 1971	August 5	912793 LC8	72	3,606
200,000,000	February 11, 1971	August 12	912793 LD6	79	3,601
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\$1,600,000,000				(Average) 54.5	

The additional and original bills will be freely interchangeable.

Each tender submitted must be in the minimum amount of \$80,000. Tenders over \$80,000 must be in multiples of \$40,000. One-eighth of the amount tendered will be applied to each of the above series of bills.

The bills offered hereunder will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$10,000, \$15,000, \$50,000, \$100,000, \$500,000 and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Wednesday, May 19, 1971. Tenders will not be received at the Treasury Department, Washington. In the case of competitive tenders the price offered must be

(OVER)

expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. A single price must be submitted for each tender. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Banking institutions generally may submit tenders for account of customers, provided the names of the customers are set forth in such tenders. Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of, any bills of these additional issues at a specific rate or price, until after one-thirty p.m., Eastern Daylight Saving time, Wednesday, May 19, 1971.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Only those submitting competitive tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for \$200,000 or less (in amounts as set forth in the second paragraph) without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on May 25, 1971. Any qualified depository will be permitted to make settlement by credit in its Treasury Tax and Loan Account for Treasury bills allotted to it for itself and its customers.

Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954, the amount of discount at which bills issued hereunder are sold is considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder must include in his income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made. Purchasers of a strip of the bills offered hereunder should, for tax purposes, take such bills onto their books on the basis of their purchase price prorated to each of the eight outstanding issues using as a basis for proration the closing market prices for each of the issues on May 25, 1971. (Federal Reserve Banks will have available a list of these market prices, based on the mean between the bid and asked quotations furnished by the Federal Reserve Bank of New York.)

Treasury Department Circular No. 418 (current revision) and this notice prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

This Bank will receive tenders up to 1:30 p.m., Eastern Daylight Saving time, Wednesday, May 19, 1971, at the Securities Department of its Head Office and at its Buffalo Branch. Please use the enclosed tender form to submit a tender, and return it in the enclosed envelope marked "Tender for Strip of Outstanding Treasury Bills." Tenders not requiring a deposit may be submitted by telegraph, subject to written confirmation; no tenders may be submitted by telephone. Settlement for accepted tenders must be made on May 25, 1971, in cash or other immediately available funds, except that any qualified depository will be permitted to make settlement by credit in its Treasury Tax and Loan Account for Treasury bills allotted to it for itself and its customers.

ALFRED HAYES,
President.