U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

EMBARGOED UNTIL 9 a.m. (EST), November 5, 2008
CONTACT Jennifer Zuccarelli, (202) 622-8657

TREASURY ACTING ASSISTANT SECRETARY FOR FINANCIAL MARKETS KARTHIK RAMANATHAN NOVEMBER 2008 QUARTERLY REFUNDING STATEMENT

WASHINGTON - Treasury is announcing the following changes to the issuance calendar:

- A new monthly 3-year note, with the first auction occurring as part of the November 2008 Refunding auctions.

- A regular second reopening of the quarterly 10-year note in the month following the first reopening, beginning in January 2009.

- Quarterly new issue 30-year bonds, beginning in February 2009.

Details of the November Refunding

We are offering $55.0 billion of Treasury securities to refund approximately $54.9 billion of privately held securities maturing or called on November 15 and to raise approximately $0.1 billion. The securities are:

- A new 3-year note in the amount of $25.0 billion, maturing November 15, 2011;
- A new 10-year note in the amount of $20.0 billion, maturing November 15, 2018;
- A reopening of the 29 ¾ -year bond in the amount of $10.0 billion, maturing May 15, 2038

The 3-year note will be auctioned on a yield basis at 11:30 a.m. EST on Monday, November 10, 2008 due to the early government bond market close ahead of the Veterans Day holiday. The 10-year note and reopened 29 ¾-year bond will be auctioned on a yield basis at 1:00 p.m. EST on Wednesday, November 12, and Thursday, November 13, respectively. All of these auctions will settle on Monday, November 17.

The balance of our financing requirements will be met with weekly bills, monthly 52-week bills, monthly 2-year, 3-year, and 5-year notes, the December and January 10-year note reopenings, and the January 10-year TIPS and 20-year TIPS.

Treasury also expects to issue cash management bills, some longer dated, during the quarter.

Changes to the Auction Calendar

Over the last several months, changes in economic conditions, financial markets, and fiscal policy, as well as a decline in nonmarketable debt issuance have contributed to an increase in Treasury's marketable borrowing needs. Treasury has responded to the increase in marketable borrowing requirements by raising issuance sizes of regular weekly and monthly bills, increasing the frequency, terms, and issuance sizes of cash management bills, and adjusting the issuance sizes of nominal coupon security offerings.

In response to the large increase in projected financing needs, to better manage the overall debt portfolio, and to create additional flexibility in meeting uncertainty in borrowing requirements, Treasury is instituting the following changes to the auction calendar:

<u>Introduction of monthly 3-year notes</u>: Treasury is announcing the addition of a monthly new-issue 3-year note. The monthly 3-year notes will have a mid-month settlement and will also be a part of the regular quarterly refunding auctions. The first auction will occur on Monday November 10, 2008 at 11:30 a.m. EST for settlement on Monday, November 17, 2008. Note that the auction time has been adjusted because of the early close of the government bond market in advance of the Veterans Day holiday. The 13-and 26-week bill auctions scheduled for Monday, November 10, 2008 will occur at 10:30 a.m.

<u>Second 10-year note reopening</u>: Treasury is announcing the addition of a regular second reopening of the 10-year note in the month following the first reopening. To clarify: Treasury will auction a new-issue 10-year note on November 12, 2008 during the refunding, reopen this security in December 2008, and then reopen the security again in January 2009.

The first auction of the *second reopening* of 10-year notes will occur on Thursday, January 8, 2009 at 1:00 p.m. EST, for settlement on Thursday, January 15, 2009.

Note that we have revised the tentative auction calendar, moving the 10-year TIPS auction, originally scheduled for Thursday, January 8, 2009, to Tuesday, January 6, 2009 because of the second reopening of the 10-year nominal note.

<u>Quarterly new-issue 30-year bonds</u>: Treasury is announcing that it is moving to new-issue quarterly 30-year bond auctions beginning with the February 2009 refunding and discontinuing the current practice of regular reopenings of 30-year bonds.

The tentative coupon auction schedule for the next three months is as follows:

Security Type		Announcement Date	Auction Date	Settlement Date
3-year note		**Wednesday, November 5, 2008**	**Monday, November 10, 2008**	**Monday, November 17, 2008**
10-year note		**Wednesday, November 5, 2008**	**Wednesday, November 12, 2008**	**Monday, November 17, 2008**
30-year bond	**R**	**Wednesday, November 5, 2008**	**Thursday, November 13, 2008**	**Monday, November 17, 2008**
2-year note		**Thursday, November 20, 2008**	**Monday, November 24, 2008**	**Monday, December 1, 2008**
5-year note		**Thursday, November 20, 2008**	**Tuesday, November 25, 2008**	**Monday, December 1, 2008**
3-year note		**Monday, December 8, 2008**	**Wednesday, December 10, 2008**	**Monday, December 15, 2008**
10-year note	**R**	**Monday, December 8, 2008**	**Thursday, December 11, 2008**	**Monday, December 15, 2008**
2-year note		**Thursday, December 18, 2008**	**Monday, December 22, 2008**	**Wednesday, December 31, 2008**
5-year note		**Thursday, December 18, 2008**	**Tuesday, December 23, 2008**	**Wednesday, December 31, 2008**
10-year TIPS		**Wednesday, December 31, 2008**	**Tuesday, January 6, 2009**	**Thursday, January 15, 2009**
3-year note		**Monday, January 5, 2009**	**Wednesday, January 7, 2009**	**Thursday, January 15, 2009**
10-year note	**R**	**Monday, January 5, 2009**	**Thursday, January 8, 2009**	**Thursday, January 15, 2009**
20-year TIPS		**Thursday, January 22, 2009**	**Monday, January 26, 2009**	**Friday, January 30, 2009**
2-year note		**Thursday, January 22, 2009**	**Tuesday, January 27, 2009**	**Monday, February 2, 2009**
5-year note		**Thursday, January 22, 2009**	**Thursday, January 29, 2009**	**Monday, February 2, 2009**

See Treasury's complete tentative auction calendar for the next six months at the following link:

http://www.treas.gov/offices/domestic-finance/debt-management/auctions/auctions.pdf

Additional Financing Needs and Portfolio Considerations

In managing the debt portfolio to achieve our objective of lowest cost financing over time, Treasury constantly reevaluates the nominal and inflation-linked securities programs. We will continue to monitor projected financing needs and make adjustments as necessary including, but not limited to, the reintroduction or establishment of other benchmark securities. As is our practice, Treasury will announce any guidance or changes regarding instruments or the portfolio in a transparent manner as part of subsequent quarterly refundings.

Unscheduled Reopenings

Treasury conducted a series of unscheduled reopenings of four off-the-run securities in October. This action was taken to address upcoming borrowing needs. At the same time, the reopenings provided the benefit of improving liquidity in the Treasury market which was experiencing an unprecedented level of settlement fails.

In general, unscheduled reopenings are contrary to Treasury's policy of transparency, regularity, and predictability. Treasury's reluctance to conduct unscheduled reopenings is consistent with our long-standing policy, and unscheduled reopenings have been, and will remain, the exception.

Chronic Settlement Fails in the Treasury Secondary Market

It is in the interests of all participants in the Treasury marketplace to have a well-functioning, deep, liquid Treasury securities market. Recent market turbulence and the low level of short-term interest rates resulted in a substantial and broad increase in persistent settlement fails in U.S. Treasury securities.

Since 2001, episodes of chronic fails have increased, and since November 2003, Treasury has asked the private sector to address this issue proactively. Impaired liquidity, particularly at a time when the funding demands on Treasury are increasing, adversely affects borrowing costs. Addressing longstanding trading conventions in the Treasury market that create economic disincentives to promptly settle failed transactions in low interest-rate environments will serve to mitigate such episodes. While some settlement fails are inevitable, widespread and persistent settlements fails are inconsistent with a well-functioning Treasury market.

Market participants should work to modify the trading conventions and practices that act as disincentives to avoiding and resolving fails in low-interest rate environments. Compliance officials and risk managers at institutions actively managing Treasuries have a responsibility to manage chronic fails by implementing specific, tangible measures to resolve, mitigate, and prevent such occurrences.

There has been some effort in recent weeks by many market participants to address these issues, and market participants have assisted in reducing settlement fails by addressing aged fails and preventing additional fails. Some of the steps which were taken to resolve settlement fails include, among others, initiatives related to identifying pair-offs, bilateral processes between counterparties, cash settlement, and the attempts to initiate negative rate repo trading.

The Treasury strongly encourages continuing private sector efforts to seek changes to secondary market trading practices designed to provide incentives for market participants to promptly settle failed transactions to avoid recurrences of chronic fails episodes. Other regulatory measures may be considered if private sector efforts are not implemented.

Please send comments and suggestions on these subjects or others related to Treasury debt management to debt.management@do.treas.gov.

The next quarterly refunding announcement will take place on Wednesday, February 4, 2009.

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