

**MINUTES OF THE MEETING OF THE
TREASURY BORROWING ADVISORY COMMITTEE
OF THE BOND MARKET ASSOCIATION
October 31, 2000**

The Committee convened at 8:00 a.m. at the Treasury Department for the portion of the meeting that was open to the public. All members were present except Messrs. Druckenmiller, and Horowitz. The Federal Register announcement of the meeting and a list of Committee members are attached.

After the Committee was welcomed by Undersecretary for Domestic Finance, Gary Gensler, John Auten, Director, Office of Macroeconomic Analysis, summarized the current state of the U.S. economy (statement attached). Paul Malvey, Director, Office of Market Finance, presented the chart show, updating Treasury borrowing estimates and historical debt and interest rate statistics.

The public meeting ended at 8:30 a.m.

The Committee reconvened in closed session at the Madison Hotel at 10:30 a.m. All members were present except Messrs. Druckenmiller and Horowitz. Undersecretary for Domestic Finance, Gary Gensler, gave the Committee its charge. Assistant Secretary for Financial Markets, Lee Sachs, and Deputy Assistant Secretary for Federal Finance, Michael Paulus were present.

The Committee began by discussing the question regarding how Treasury might adjust its financing should surpluses continue. The Committee reiterated its previous recommendation regarding the nature of adjustments should the need arise in 2001. These recommendations included eliminating the 52-week bill, reducing the issue frequency of the 2-year note from monthly to either eight or four times per year, and adjusting the sizes of the inflation-indexed securities. The Committee noted such changes, if implemented, would generally increase the average maturity of the debt. In order to address the maturity extension, the Committee stated that Treasury would have to consider changes to 30-year bond issuance or increase the size of debt repurchases.

At this point the Committee turned its attention to the question in the charge regarding debt buybacks. The Committee stated that financial markets were now accustomed to a regular schedule of buybacks. The Committee recommended that going forward, the Treasury should announce a dollar size range for buybacks for the subsequent calendar quarter at the quarterly press conference. For example, the Treasury should announce in November a dollar range of debt repurchases for the January through March quarter. This would be consistent with how Treasury currently announces its quarterly market borrowing needs. The Committee felt that such target ranges would be beneficial to the markets while at the same time preserving flexibility for the Treasury. The Committee also stated that in light of increasing budget surpluses, the overall size of buyback could probably be increased with little market impact should that become necessary. The Committee recommended that the Treasury repurchase \$8.5 billion in the January-March 2001 quarter.

Next, the Committee turned its attention to the question in the Charge regarding the potential for the 35 percent rule to adversely impact the ability of certain market participants to bid in certain Treasury reopening auctions. The Committee unanimously agreed that the rule should be changed so that net-long position reporting only applies to positions in the WI reopened security.

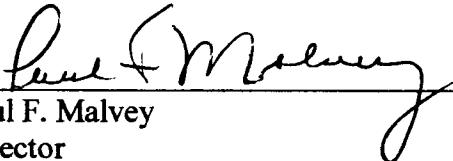
Regarding the quarterly refunding, by a unanimous vote, the Committee recommended issuing \$12 billion of a new 5-year note. Also by unanimous vote the Committee recommended reopening of the 5-3/4 percent 10-year notes of 8/15/10 in an amount of \$8 billion. Looking at the remainder of the October-December quarter, the Committee recommended that 2-year notes remain at \$10 billion for August and September, and that weekly bills be maintained at the \$21 billion level.

Looking ahead to the January-March quarter, the Committee recommended that Treasury issue \$10 billion of reopened 5-year notes, \$10 billion of new 10-year notes, and 10 billion of new 30-year bonds at the February quarterly refunding. They recommended that 2-year note sizes remain constant at \$10 billion and that the 52-week bill be eliminated after the November auction. Weekly bills would be maintained at \$21 billion and any additional financing would be handled with cash management bills.


The meeting adjourned at 11:30

The Committee reconvened at the Madison Hotel at 1:00 p.m. All members were present except Messrs. Druckenmiller and Horowitz. The Chairman presented the Committee report to Undersecretary Gensler, Assistant Secretary Sachs, and Deputy Assistant Secretary Paulus. A brief discussion followed the Chairman's presentation, but did not raise significant questions regarding the report's content.

The meeting adjourned at 1:15 p.m.


Paul F. Malvey
Director
Office of Market Finance
October 31, 2000

Certified by:


Kenneth M. deRegt, Chairman
Treasury Borrowing Advisory Committee
of The Bond Market Association
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