



U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

EMBARGOED UNTIL 9 a.m. (EDT), April 29, 2009
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MAY 2009 QUARTERLY REFUNDING STATEMENT FROM KARTHIK RAMANATHAN TREASURY ACTING ASSISTANT SECRETARY FOR FINANCIAL MARKETS

Washington, DC – Treasury is announcing the following change to the issuance calendar:

- A second regular reopening of the 30-year bond in the month following the first reopening.

As a result, the 30-year bond initially auctioned on May 7, 2009 will be reopened with an auction on June 11, 2009, and will then be reopened a second time with an auction on July 9, 2009.

Details of the May Refunding

We are offering \$71.0 billion of Treasury securities to refund approximately \$52.2 billion of privately held securities maturing or called on May 15, 2009 and to raise approximately \$18.8 billion. The securities are:

- A new 3-year note in the amount of \$35.0 billion, maturing May 15, 2012;
- A new 10-year note in the amount of \$22.0 billion, maturing May 15, 2019; and
- A new 30-year bond in the amount of \$14.0 billion, maturing May 15, 2039.

The 3-year note will be auctioned on a yield basis at 1:00 p.m. EDT on Tuesday, May 5, 2009. The new 10-year note will be auctioned on a yield basis at 1:00 p.m. EDT on Wednesday, May 6, 2009, and the new 30-year bond will be auctioned on a yield basis at 1:00 p.m. EDT on Thursday, May 7, 2009. All of these auctions will settle on Friday, May 15, 2009.

The balance of our financing requirements will be met with weekly bills; monthly 52-week bills; monthly 2-year, 3-year, 5-year, and 7-year notes; the June and July 10-year note and 30-year bond reopenings; the July 10-year TIPS offering and the July 20-year TIPS reopening.

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

Changes to the Auction Calendar

To address the increase in projected financing needs and to better manage the overall debt portfolio, Treasury is instituting the following adjustment to the auction calendar:

Introduction of a second regular reopening of the 30-year bond: Treasury is announcing the addition of a second regular reopening of the 30-year bond in the month following the first reopening. This will result in twelve 30-year bond auctions per year.

The 30-year bond auctioned on May 7, 2009 will be reopened initially on June 11, 2009 at 1:00 p.m. EDT for settlement on June 15, 2009. The second reopening of the 30-year bond will occur on Thursday, July 9, 2009 at 1:00 p.m. EDT for settlement on Wednesday, July 15, 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>

Financing Needs and Portfolio Considerations

During the last several months, changes in economic conditions, financial markets, fiscal policy, and a continuing decline in nonmarketable debt issuance have resulted in a significant increase in Treasury's marketable borrowing needs.

Treasury has responded to the increase in marketable borrowing requirements in a deliberate manner consistent with its operating framework of being regular and predictable while at the same time ensuring maximum flexibility for debt managers.

To address the rapid changes that have occurred in short-term borrowing needs, Treasury raised the issuance sizes of regular weekly and monthly bills and increased the frequency, tenor, and issuance sizes of cash management bills.

At the same time, in response to greater medium and longer term financing requirements as well as overall portfolio considerations, Treasury gradually increased the issuance sizes of nominal coupon security offerings, and also adjusted the securities offering calendar. The additions of monthly 3-year and 7-year notes, a second reopening of 10-year notes, and the recent changes to the 30-year bond offering (resulting in a quarterly new issue with two regular reopenings) have increased Treasury's ability to manage its large borrowing needs.

This transparent, measured approach to debt management promotes an efficient and liquid Treasury market while minimizing financial market dislocations.

As we manage the debt portfolio to achieve our objective of lowest cost financing over time, Treasury 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 or other changes to the auction calendar of existing nominal or inflation-indexed securities.

Private Sector Initiatives to Improve the Functioning of Treasury Repurchase Markets

Following widespread, chronic settlement failures in the Treasury repurchase market in the fall of last year, the Treasury Market Practices Group (TMPG), working alongside members of the Securities Industry and Financial Markets Association (SIFMA), the Depository Trust and Clearing Corporation

(DTCC), and the Fixed Income Clearing Corporation (FICC), issued guidelines aimed at minimizing episodes of chronic fails.

Among the recommendations was the adoption of a dynamic fails charge – which will be implemented by market participants beginning May 1 – to provide an incentive for the prompt resolution of settlement failures, and with the expectation that these guidelines will contribute to the depth and liquidity of the United States Treasury market.

Treasury commends the efforts by the TMPG and other private sector groups to craft these changes in market conventions to minimize episodes of chronic fails to deliver.

Debt Subject to the Limit

Based on current projections, Treasury expects to reach the debt ceiling in the second half of calendar year 2009. Given the uncertainty surrounding potential borrowing needs, Treasury will continue to keep Congress and financial market participants apprised of developments as the debt outstanding approaches the statutory limit.

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, August 5, 2009.

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