

**MINUTES OF THE MEETING OF THE  
TREASURY BORROWING ADVISORY COMMITTEE  
OF THE BOND MARKET ASSOCIATION  
October 27, 1998**

The Committee convened at 9:00 a.m. at the Treasury Department for the portion of the meeting that was open to the public. All members were present. The Federal Register announcement of the meeting and a list of Committee members are attached.

Deputy Assistant Secretary for Federal Finance Roger Anderson welcomed the Committee and the public to the meeting. John Auten, Director, Office of Macroeconomic Analysis, summarized the current state of the U.S. economy (statement attached). Jill Ouseley, Director, Office of Market Finance, and Paul Malvey, Associate Director, Office of Market Finance, presented the chart show, which had been released to the public on October 26: (1) updating Treasury borrowing estimates; (2) providing statistical information on recent Treasury borrowing and market interest rates; and (3) summarizing the October 1998 update of the study released in 1995 regarding Treasury experience with uniform-price auctions. The update was also released to the public on October 26.

The public meeting ended at 9:35 a.m.

The Committee reconvened in closed session at the Madison Hotel at 12:15 p.m. All members were present. Deputy Assistant Secretary Anderson gave the Committee its Charge, which is also attached. Assistant Secretary Gensler and DAS Anderson participated in the meeting.

The Committee began by reviewing proforma financing schedules for the October-December and the January-March quarters (attached) that were developed by one of the members. Considering the November refunding first, the Committee voted by 14-to-5 to recommend a November refunding package totaling \$39 billion, which is at the top of the range suggested in the Treasury Charge, consisting of: \$17 billion of 5-year notes; \$12 billion of 10-year notes; and \$10 billion of 30-year bonds.

The discussion then turned to whether to reopen any outstanding securities. By a vote of 15-to-4, the Committee decided to recommend issuance of a new 10-year note, rather than reopening the 5-5/8% note of May 15, 2008. By a vote of 13-to-6, the Committee decided to recommend issuance of a new 5-year note rather than reopening the 5-1/4% Treasury note of 8/15/03. The Committee voted by 9-to-9 with one abstention on the question of reopening the

outstanding 5-1/2% bond of August 15, 2028 or recommending that the Treasury issue a new 30-year bond.

By consensus, the Committee decided to recommend that the Treasury follow the October-December and January-March financing plans in the proformas, except with adjustments to the auction sizes in the November and February refundings to reflect the Committee's recommendations and with adjustments to cash management bills in light of the question in the Treasury Charge pertaining to issuance of 79-day cash management bills on November 3.

The Committee then discussed the question in the Charge regarding current conditions in the Treasury market. The result of the discussion was that the Committee voted by 9-to-9 with one abstention on the question of recommending that the Treasury reopen outstanding on-the-run notes and bonds from time to time and use the proceeds to purchase higher coupon off-the-run securities.

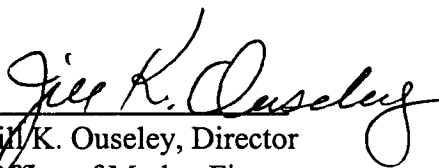
The Committee discussed the question in the Charge pertaining to whether to extend the use of uniform-price auctions to all marketable Treasury securities and voted to recommend that the Treasury do so (16 yes, 3 abstentions).

Regarding new issues of inflation-indexed notes and bonds, the Committee consensus was that the Treasury could reduce the size of new issues in light of reduced Treasury borrowing needs and the reductions that already have been made in funds raised through issuance of nominal securities without showing any reduction in commitment to the program.

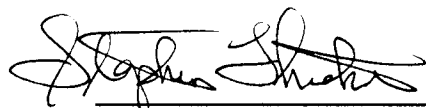
The meeting adjourned at 2:10 p.m.

The Committee reconvened at the Madison Hotel at 5:45 p.m. All members were present. The Chairman presented the Committee report to Assistant Secretary Gensler, Assistant Secretary Hammond, and Deputy Assistant Secretary Anderson. Committee members commented on whether issuing a new security or reopening an outstanding issue tends to be more efficient for the Treasury. Considerations suggested were market conditions at the time of the auction and market liquidity over the longer term.

The meeting adjourned at 6:20 p.m.

  
Jill K. Ouseley, Director  
Office of Market Finance  
October 28, 1998

Certified by:



Stephen Thieke, Chairman  
Treasury Borrowing Advisory Committee  
of The Bond Market Association  
October 28, 1998