DEPARTMENT OF THE TREASURY

TREASURY NEWS

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**FOR IMMEDIATE RELEASE** **Contact: Jon Murchinson**

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## REMARKS BY DARCY BRADBURY ASSISTANT SECRETARY FOR FINANCIAL MARKETS AUGUST 1996 TREASURY QUARTERLY REFUNDING PRESS CONFERENCE

Good afternoon. I will begin with today's refunding announcement and the terms of the regular Treasury August midquarter refunding. 1 will also discuss Treasury financing requirements for the balance of the current calendar quarter and our estimated cash needs for the October-December quarter.

1. We are offering $39.0 billion of notes and bonds to refund $17.6 billion of privately held notes maturing on August 15 and to raise approximately $21.4 billion of cash.

The three securities are:

--First, a 3-year note in the amount of $19.0 billion, maturing on August 15, 1999. This note is scheduled to be auctioned on a _yield basis at 1:00 p.m. Eastern time on August 6.

--Second, a 9 year 11 month note in the amount of $10.0 billion, maturing on July 15, 2006.This is a reopening of the ten-year note originally issued in July. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Wednesday, August 7.

--Third, a 30 year bond in the amount of $10.0 billion, maturing on August 15, 2026. This bond is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Thursday, August 8.

2. On April 11, Treasury announced that on August 15 it would call the 8% bond of 1996-2001. This bond, of which approximately $.7 billion is privately held, will be repaid from available funds. We estimated in April that the Treasury is saving about $55 - $65 million in budget outlays from this call.

3. As announced on Monday, July 29, we estimate a net market borrowing need of $45.0 billion for the July-September quarter. The estimate assumes a $40 billion cash balance at the end of September. Including the securities in this refunding, we have raised $48.1 billion of cash from sales of marketable securities. See the attachment for details.

4. The Treasury will need to paydown $3.1 billion in market borrowing during

the rest of the July-September quarter. This financing can be accomplished through regular sales of 13-, 26-, and 52-week bills in August and September and 2- and 5-year notes in August and September. A cash management bill may be needed to cover the low point in the cash balance in early September. The tentative auction calendars for August, September, and October are included in the chart package which was distributed today.

5. We estimate Treasury net market borrowing to be in a range of $50 billion to $55 billion for the October-December quarter, assuming a $30 billion cash balance on December 31.

6. The Treasury has published proposed changes in the state and local government series securities program (commonly called "SLGS") for comment in the *Federal Register*. The changes are designed to make SLGS more flexible, competitive, cost effective securities. We want to help state and local governments comply with yield restrictions and arbitrage rebate requirements of the Federal tax laws. Among other things, we propose to reduce the Treasury's fee on SLGS which will increase investors' yield. We would eliminate the current so-called "all-or-nothing" rule and permit advance refunding escrows to blend SLGS with securities acquired in the open market. We would also eliminate the current cumbersome certifications and substantially decrease the notice period to purchase SLGS. Copies of the proposed regulation, are available in the back of the room, and we are encouraging public comment.

7. As you know, in May, Secretary Rubin announced Treasury's intention to issue inflation-protection securities. At the same time, we published in the *Federal Register* an Advance Notice of Proposed Rulemaking seeking comments from market participants on what aspects of inflation-protection securities would give them the broadest market appeal.

We have had more than 30 meetings with more than 800 investors, dealers, and other interested parties since then, in Washington, New York, Boston, Chicago, San Francisco, London, Tokyo, and, by videoconference, Australia. We have received approximately 50 comment letters in response to the ANPR. Last week, we held a symposium to explore further the options for structuring principal and interest payments on the inflation-protection securities and we published an additional notice in the Federal Register requesting further comment.

We are currently reviewing and evaluating the comments we have received. Based on those comments and our own review, we have made two decisions:

--First, a comment we received from many people was that it was important for these new securities to be eligible for our stripping program from the day of issuance. Accordingly, we focused on that area and are now comfortable that we will be able to make the new securities strippable as of their issuance.

--Secondly, we have also received numerous comments on the importance of multiple maturities. Accordingly, while we will auction one maturity initially, we plan to introduce a range of maturities as soon as the first maturity is established.

We expect to conclude our review of the comments and to announce our decisions regarding all of the design details of the inflation-protection securities in September. At that time, we will publish a draft for comment of revisions to the Uniform Offering Circular, describing the terms and conditions of the new securities and how they will be auctioned.

8. The November midquarter refunding press conference is scheduled to be held on Wednesday, October 30.

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ATTACHMENT

CASH RAISED

Including the securities announced in this refunding, we have raised $48.1 billion of cash from sales of marketable securities.

This was accomplished as follows:

-- raised $5.3 billion from the 2-year notes issued on July 1 and July 31;

-- raised $7.7 billion from the 5-year notes issued on July 1 and July 31;

-- raised $1.8 billion from the 52-week bills issued July 25;

-- raised $3.1 billion from the sale of the 10-year note issued July 15 to refund the maturing 7-year note;

raised $8.8 billion in cash in the regular weekly bills, including those announced yesterday;

-- raised $21.4 billion from the notes and bonds announced today.