

**MINUTES OF THE MEETING OF THE  
TREASURY BORROWING ADVISORY COMMITTEE  
OF THE PUBLIC SECURITIES ASSOCIATION  
October 31 and November 1, 1995**

October 31

The Committee convened at 11:45 a.m. at the Treasury Department for the portion of the meeting that was open to the public. All members were present, except Messrs. Kessenich, Napoli, and Rosenberg. The Federal Register announcement of the meeting and a list of Committee members are attached.

Deputy Assistant Secretary for Federal Finance Darcy Bradbury welcomed the Committee and the public to the meeting. Deputy Assistant Secretary for Economic Policy Daniel Sichel summarized the current state of the U.S. economy. Jill Ouseley, Director, Office of Market Finance, discussed charts, which had been released to the public on October 30, updating Treasury borrowing estimates and providing statistical information on recent Treasury borrowing and market interest rates.

The public meeting ended at 12:15 p.m.

November refunding

The Committee reconvened in closed session at the Madison Hotel at 2:10 p.m. The members were present who had attended the public briefing. Deputy Assistant Secretary Bradbury gave the Committee its Charge, which is also attached. The Committee first discussed the size of the November midquarter refunding within the context of the Treasury's estimate of a \$61.5 billion net market borrowing requirement during the October-December 1995 quarter.

Committee members reviewed a financing proforma, also attached, prepared by the firm of one of the members, which included a November mid-refunding consisting of offerings to the public of \$18.5 billion of 3-year notes and \$13.5 billion of 10-year notes. The Committee voted unanimously to recommend these amounts, each of which is \$0.5 billion above amounts offered in the August 1995 refunding. The Committee also approved unanimously a recommendation that the Treasury issue cash management bills maturing on December 21 and January 25.

Before deciding to recommend a financing schedule for the January-March period, the Committee discussed the question that was posed in the Charge regarding changing regular Treasury security offerings to increase their size (at the current frequency) or to increase their frequency at reduced size beginning in the January-March quarter.

The Committee referred to the discussion in its August 2, 1995 report to the Treasury in which it recommended increasing the frequency of the 10- and 30-year issues, and reducing their size from the most recent offerings. Since Treasury borrowing requirements currently estimated for FY 1996 have declined from earlier estimates, the Committee does not believe both actions are necessary. They voted to recommend that, beginning in early 1996, the Treasury increase the frequency of 30-year bond auctions to four times per year at a minimum size of \$10 billion each (10 votes), rather than to recommend that the Treasury increase the frequency of 10-year note auctions to 8 times per year at a minimum size of \$10 billion (6 votes). There were a number of members, however, who indicated that they could support increasing the frequency of the 10-year notes.

The Committee then decided by consensus to recommend the financing plan that was labeled Alternative I in the proforma financing tables that had been provided by a member.

The Committee briefly discussed Treasury issues of inflation-indexed bonds and floating rate notes, both of which have been debated extensively in previous Committee meetings. Given uncertainties surrounding enactment of an increase in the debt limit, however, the Committee did not make any specific recommendations.

The Committee consensus was that November 10 is the latest day that the Treasury can unconditionally announce that it will proceed with auctions of 3- and 10-year notes for issuance on November 15. If these securities needed to be announced later than November 10, it would be preferable to announce cash management bills for settlement on November 15 and delay auctions of 3- and 10-year notes.

Regarding the debt limit-related portion of the Charge, Committee members reported that the market does not expect the Government to default on its obligations and therefore has reacted only minimally to the debt limit debate to date. They agree, however, that defaulting on the Government's debt obligations would be horrific and long lasting.

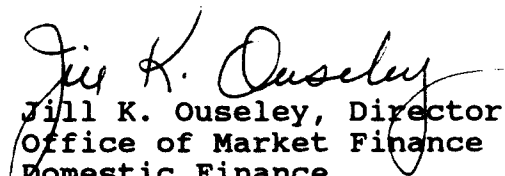
The meeting adjourned at 4:00 p.m.

November 1

The Committee reconvened at 9:00 a.m. at the Treasury in closed session. All members were present, except Messrs. Capra, Corzine, Kessenich, Napoli, and Rosenberg. The Chairman presented the Committee report (copy attached) to Under Secretary for Domestic Finance John D. Hawke and Deputy Assistant Secretary Bradbury.


In response to questions, the Committee discussed the length of time required to sell securities, if action on legislation to increase the statutory debt limit is delayed. They also discussed the portion of the report concerning the consequences, if the Government were to default on Treasury securities.

The meeting adjourned at 9:30 a.m.

  
Jill K. Ouseley, Director  
Office of Market Finance  
Domestic Finance  
November 1, 1995

## Attachments

Certified by:

  
Stephen C. Francis, Chairman  
Treasury Borrowing Advisory Committee  
of the Public Securities Association  
November 1, 1995