

Acting Assistant Secretary for Financial Markets Timothy S. Bitsberger
August 2004 Quarterly Refunding Statement

Treasury will maintain its 10-year note reopening policy. We are offering \$51.0 billion of notes to refund approximately \$28.8 billion of privately held securities and Government account holdings maturing on August 15, raising approximately \$22.2 billion. The securities are:

- A new 3-year note in the amount of \$22 billion, maturing August 15, 2007;
- A new 5-year note in the amount of \$15 billion, maturing August 15, 2009;
- A new 10-year note in the amount of \$14 billion, maturing August 15, 2014.

These securities will be auctioned on a yield basis at 1:00 PM Eastern time on Monday, August 9, Wednesday, August 11, and Thursday, August 12, respectively. All of these auctions will settle on Monday, August 16. The balance of our financing requirements will be met with weekly bills, monthly 2-year and 5-year notes, the September 10-year note reopening, and the October 10-year and 5-year TIPS. Treasury is also likely to issue cash management bills in early September and early October.

Treasury Issuance Calendar

We have examined the continuing need for large liquid issuance of our securities and believe that this need can best be met, given our projected borrowing requirements, with our existing issuance patterns. The current calendar meets our projected borrowing needs flexibly and in a manner that is consistent with low cost financing over time. If our financing needs decline in line with our central projections, we expect small reductions in the sizes of our coupon offerings. When more substantial changes in our issuance calendar are needed, we will announce those changes one quarter before implementation.

State and Local Government Securities (SLGS) Proposed Regulatory Changes

By September 30, 2004 Treasury will announce proposed regulatory changes for dealing with certain trading activities that we view are against the spirit and purpose of the SLGS program and are detrimental to efficient Treasury financing. There will be a 30-day comment period following publication of the proposed rule. Treasury will consider comments from market participants regarding the proposed rule before publishing a final rule.

Treasury Systems Changes

- **Six-Decimal Price Awards in Treasury Auctions:** Beginning September 20, Treasury will compute price awards in auctions to six decimal places per hundred. For information on computations, please see our website at <http://www.publicdebt.treas.gov/of/ofcalc6decimal.htm>. Institutions are

encouraged to use the formulas for internal testing to determine whether or not changes to their back-office systems will be necessary. Any questions regarding this testing should be directed to the Bureau of the Public Debt, Office of Financing at (202) 504-3550.

- **Changing Limits on Non-competitive Bill Awards:** Beginning September 20, the limit on non-competitive awards will be \$5 million for all auctions.
- **Changes Regarding Zero Fill on Decimals:** If an investor submits a bid with an insufficient number of decimal places, Treasury's auction interface, *TAAPSLink*, will now automatically fill the remaining decimals with zeros (e.g. if a bid is submitted incorrectly at 3.2%, the bid will automatically be changed to 3.200%). This change will take effect on September 20.

The next quarterly refunding announcement will take place on Wednesday, November 3, 2004. Please send comments and suggestions on these subjects or others relating to debt management to debt.management@do.treas.gov.