MINUTES OF THE MEETING OF THE
TREASURY BORROWING ADVISORY COMMITTEE
OF THE PUBLIC SECURITIES ASSOCIATION
January 30 and 31, 1996

January 30

The Committee convened at 11:40 a.m. at the Treasury Department for the portion of the meeting that was open to the public. All members were present, except Mr. Kessenich and Mr. McKnew. The Federal Register announcement of the meeting and a list of Committee members are attached.

Assistant Secretary for Financial Markets Bradbury welcomed the Committee and the public to the meeting. Assistant Secretary for Economic Policy Gotbaum 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 January 29, updating Treasury borrowing estimates and providing statistical information on recent Treasury borrowing and market interest rates.

The public meeting ended at 12:10 p.m.

Debt limit

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. Assistant Secretary Bradbury gave the Committee its Charge, which is also attached. The Committee began by agreeing by consensus to open its report to the Secretary with an apolitical statement of its concern that the statutory debt limit should be increased in order to prevent a default on the Government’s obligations.

February refunding

The Committee then discussed an overall approach to funding for the January-March and April-June quarters, displayed in the attached draft proformas, which were prepared by one of the Committee members using the Treasury market borrowing estimates that were released by the Treasury on January 29.

The Committee voted unanimously to recommend a February mid-quarter refunding consisting of offerings to the public of $18.5 billion of 3-year notes, $14.0 billion of 10-year notes, $12.0 billion of 30-year bonds to raise a total of $13.2 billion of cash in the refunding. Each of the amounts of the notes and bonds is $0.5 billion above amounts offered in the most recent sale of each maturity. The Committee voted by 15-1 to recommend a new 10-year note and unanimously to recommend a new 30-year bond, as opposed to reopening outstanding securities. The Committee
also voted unanimously to recommend issuing $8 billion of cash management bills (CMBs) maturing on February 29, 1996.

For the rest of the January-March quarter, the Committee consensus was to raise each of the notes and 52-week bills by $0.5 billion and finance the remainder of the borrowing need in bills, especially CMBs with April maturities.

The Committee agreed by consensus to recommend a financing plan for the April-June quarter, which includes a $0.5 billion increase in each of the notes, except for a $1.0 billion increase in the 10-year notes, and $0.5 billion increase in the 52-week bills, and paying down Treasury bills, on balance.

**Scheduling Government-sponsored enterprise market entry**

In reply to the question in the Charge, the Committee consensus was that the Treasury's traditional "traffic cop" role in scheduling GSEs' new issues does not make a significant contribution to the stability of either the Treasury market or the market for agency securities. The consensus was that, while this Treasury function probably served a historical purpose, it is anachronistic in today's highly liquid capital markets and could be streamlined.

The meeting adjourned at 3:40 p.m.
January 31

The Committee reconvened at 8:30 a.m. at the Treasury in closed session. All members were present, except Mr. Kessenich. The Chairman presented the Committee report (copy attached) to Under Secretary for Domestic Finance Hawke and Assistant Secretary Bradbury.

In response to questions, the Committee expanded on the discussion in the Committee report regarding Treasury approval of the timing of Government-sponsored enterprise sales of debt securities. Also, the Committee urged the Treasury to announce as soon as practical the borrowing strategy that it intends to pursue over the next several years. For example, whether the Treasury intends to increase the number of times securities are offered or to introduce alternative debt instruments.

The meeting adjourned at 8:45 a.m.

Jill K. Ouseley, Director
Office of Market Finance
Domestic Finance
January 31, 1996

Attachments

Certified by:

Richard Kelly, Chairman
Treasury Borrowing Advisory Committee of the Public Securities Association
January 31, 1996