

**MINUTES OF THE MEETING OF THE
TREASURY BORROWING ADVISORY COMMITTEE
OF THE BOND MARKET ASSOCIATION
May 4, 1999**

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 except Mr. Mortara and Mr. Pike. The Federal Register announcement of the meeting and a list of Committee members are attached.

Under Secretary for Domestic Finances Gary Gensler 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, presented the chart show, which had been released to the public on May 3, updating Treasury borrowing estimates and historical debt and interest rate statistics.

The public meeting ended at 9:40 a.m.

The Committee reconvened in closed session at the Madison Hotel at 11:45 a.m. All members were present except Mr. Mortara and Mr. Pike. Under Secretary Gensler gave the Committee its Charge, which is also attached.

The Committee began by reviewing a proforma financing plan (attached) for the April-June quarter. The Committee unanimously agreed to the May refunding recommendation contained in the financing plan. That is, the Committee recommended new issues of 5-year notes in the amount of \$15 billion and of 10-year notes in the amount of \$12 billion.

The Committee then turned to a general discussion of the established Treasury practice of issuing cash management bills. While the discussion did not lead to a Committee recommendation, arguments were made in favor of the current approach and of relying on more regular bill financing to bridge low points in the Treasury cash balance.

In response to the question in the Charge pertaining to possible adjustments to the Treasury borrowing program, the Committee discussed the merits of maintaining large, liquid supplies of Treasury bills and of notes and bonds. The section of the Committee's report in February 1999 was read in connection with such adjustments. The consensus recommended that the Treasury could bolster market liquidity across the curve by engaging in secondary market buy-backs of older Treasury securities and that the Committee would be prepared to advise the Treasury on the contents of any Treasury regulation to provide for the mechanics of buy-backs.

By consensus, the Committee was satisfied to follow the July-September financing plan in the proforma table (also attached). Several members noted that the Committee may want to consider recommending adjustments to the sizes of new issues when it meets in connection with the August refunding.

Responding to the question in the Treasury Charge, the Committee discussed briefly, but did not decide to recommend, shortening the when-issued period for new issues of 2-year notes.

The meeting adjourned at 1:15 p.m.

The Committee reconvened at the Madison Hotel at 6:00 p.m. All members were present except Mr. Pike. The Chairman presented the Committee report to Deputy Assistant Secretary Lee Sachs and Fiscal Assistant Secretary Hammond. A brief discussion followed the Chairman's presentation, but did not raise significant questions regarding the report's content.

The meeting adjourned at 6:10 p.m.

Jill K. Ouseley, Director
Office of Market Finance
May 5, 1999

Certified by:

Stephen Thieke, Chairman
Treasury Borrowing Advisory Committee
of The Bond Market Association
May 5, 1999