

Agenda
August 2003 Refunding
Treasury Dealer Meetings – July 25, 2003
Dealer _____

To allow more time for discussion on Friday, please e-mail your responses prior to 12:00 noon on Wednesday to Jeff Huther, Dept. of Treasury, at Jeff.Huther@do.treas.gov and Richard Dzina, Federal Reserve Bank of New York, at richard.dzina@ny.frb.org. If you are not scheduled to meet with Treasury officials this quarter, your responses would still be very helpful to us, particularly answers to the discussion questions. Thank you.

I. Borrowing Estimates

	Central Estimate	Range that would not surprise you
July – September		
Ending Cash Balance		
October – December		
Ending Cash Balance		

II. Budget Deficit Estimates

FY2003		
FY2004		

III. Quarterly Note Issuance

3-year		
5-year		
10-year		
10-year reopening (Sept)		
10-year TIIS reopening (Oct)		

IV. Discussion Topics

- The Administration has recently estimated deficits of \$455 billion in FY2003 and \$475 billion in FY2004. Do you think that the recent adjustments to the financing schedule provide Treasury with sufficient debt management tools to handle the consequent increases in debt issuance and facilitate our primary objective of meeting the government’s financing needs at the lowest cost over time?
- From time to time, FOMC announcements occur on Treasury note auction dates. Given the uncertainty this injects into the auction process, do you think Treasury should consider adjusting its note auction schedule to avoid coinciding with FOMC announcement dates? If so, what adjustments to the note auction calendar would you recommend?
- As part of our ongoing efforts to develop and refine our contingency plans, we have developed a list of possible circumstances that might lead to the disruption of a planned auction and possible Treasury responses. In all of the situations presented below, Treasury would reject all competitive bids already tendered and participants would need to resubmit competitive bids when the auction resumed.

Contingency

Treasury Response

Treasury/Fed operational/technical problems	Delay auction.* Notify market of specific length of delay (e.g. 1 hour).
Treasury/Fed systems failure	Reschedule auction. Notify market of rescheduling with specific date and time if possible. If not immediately possible, provide follow-up with specific date and time as soon as feasible.
Bidder connectivity disrupted (some participants affected, auction still covered)	Response will depend on strength of auction coverage. If delay is necessary, then notify market of specific length of delay (e.g. 1 hour).
Bidder connectivity disrupted (many participants affected, auction not covered)	Delay auction.* Notify market of specific length of delay (e.g. 1 hour).
Independent of connectivity, auction not covered	Delay auction.* Notify market of specific length of delay (e.g. 1 hour).

** If an auction is delayed for any reason, Treasury will notify the market of the delay and the new closing time. In all cases, a delay will cause Treasury to reject all competitive bids already tendered and participants will need to resubmit competitive bids when the auction resumes.*

The list aims to cover a broad enough range of possible situations to provide participants with a general sense of how Treasury would respond to a given contingency should one occur. Are there other situations that should be included? Do you think the responses are adequate and appropriate? If not, how do you think Treasury should respond? How do you think the market would respond in each of the above situations, and how do you think auction outcomes would be affected? Do you anticipate that there would be repercussions for future auctions?