

U.S. DEPARTMENT OF THE TREASURY

Press Center



August 2009 Quarterly Refunding Statement

8/5/2009

Washington, DC – We are offering \$75.0 billion of Treasury securities to refund approximately \$60.9 billion of privately held securities maturing on August 15, 2009 and to raise approximately \$14.1 billion. The securities are:

- A 3-year note in the amount of \$37.0 billion, maturing August 15, 2012;
- A 10-year note in the amount of \$23.0 billion, maturing August 15, 2019; and
- A 30-year bond in the amount of \$15.0 billion, maturing August 15, 2039.

The 3-year note will be auctioned on a yield basis at 1:00 p.m. EDT on Tuesday, August 11, 2009. The 10-year note will be auctioned on a yield basis at 1:00 p.m. EDT on Wednesday, August 12, 2009, and the 30-year bond will be auctioned on a yield basis at 1:00 p.m. EDT on Thursday, August 13, 2009. All of these auctions will settle on Monday, August 17, 2009.

The balance of our financing requirements will be met with weekly bills; monthly 52-week bills; monthly 2-year, 3-year, 5-year, and 7-year notes; the September and October 10-year note and 30-year bond reopenings; and the October 5-year and 10-year TIPS reopenings.

Treasury will also issue cash management bills, some longer dated, during the quarter.

Financing Needs and Portfolio Considerations

During the last eighteen months, Treasury has responded to increasing marketable borrowing requirements in a deliberate manner, consistent with our operating framework of being regular and predictable. At the same time, our strategy continues to ensure maximum flexibility for debt managers.

Currently we believe our existing suite of nominal securities is sufficient to address our borrowing needs; however, market participants should expect auction sizes to continue to rise in a gradual manner over the medium term. In addition, to increase our flexibility, issuance of Treasury inflation-indexed securities will also increase gradually.

Nevertheless, Treasury will continue to monitor projected financing needs and make adjustments to the auction calendar, if necessary. These include, but are not limited to, the reintroduction or establishment of other benchmark securities or other changes to the auction calendar for existing nominal and inflation-indexed securities.

Treasury Inflation-Indexed Securities (TIPS)

Treasury is committed to issuing TIPS in a regular and predictable manner across the yield curve. These securities are an important part of our overall debt management strategy, and market participants can expect issuance to gradually increase in FY 2010.

Additionally, to potentially improve liquidity in the TIPS program and better capture the premium associated with inflation protection, Treasury will consider replacing 20-year TIPS with 30-year TIPS.

Any potential changes to the TIPS program will be announced at the November 2009 refunding.

Private Sector Initiatives to Improve the Functioning of Treasury Repurchase Markets

Chronic settlement fails in the Treasury repurchase market in 2008 led the Treasury Market Practices Group (TMPG), working alongside members of the Securities Industry and Financial Markets Association (SIFMA) and the Depository Trust and Clearing Corporation (DTCC) to issue guidelines aimed at minimizing episodes of chronic fails.

On May 1, 2009 market participants adopted and implemented the TMPG's Fails Charge recommendations. In response to these measures, settlement fails in the Treasury market have declined significantly. Treasury commends the efforts by the TMPG and other private sector groups to craft these changes as they have served to enhance the liquidity of the Treasury market.

In addition, to ensure the orderly implementation of the Fails Charge, the IRS announced on July 28, 2009 that it will not challenge a position taken by a taxpayer or a withholding agent that a Fails Charge paid on or before December 31, 2010 is not subject to U.S. gross-basis taxation unless contrary guidance has been issued effective before that date.

Debt Subject to the Limit

Based on current projections, Treasury expects to reach the debt ceiling in the last quarter of calendar year 2009. Given the uncertainty surrounding potential borrowing needs, Treasury will continue to keep Congress and financial market participants apprised of developments as the debt outstanding approaches the statutory limit.

Please send comments and suggestions on these subjects or others related to Treasury debt management to debt.management@treasury.gov.

The next quarterly refunding announcement will take place on Wednesday, November 4, 2009.

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