

U.S. DEPARTMENT OF THE TREASURY

Press Center



Quarterly Refunding Statement of Assistant Secretary for Financial Markets Matthew Rutherford

8/6/2014

WASHINGTON – The U.S. Department of the Treasury is offering \$67 billion of Treasury securities to refund approximately \$57.7 billion of Treasury notes maturing on August 15, 2014. This will raise approximately \$9.3 billion of new cash. The securities are:

- A 3-year note in the amount of \$27 billion, maturing August 15, 2017;
- A 10-year note in the amount of \$24 billion, maturing August 15, 2024; and
- A 30-year bond in the amount of \$16 billion, maturing August 15, 2044.

The 3-year note will be auctioned on a yield basis at 1:00 p.m. ET on Tuesday, August 12, 2014. The 10-year note will be auctioned on a yield basis at 1:00 p.m. ET on Wednesday, August 13, 2014, and the 30-year bond will be auctioned on a yield basis at 1:00 p.m. ET on Thursday, August 14, 2014. All of these auctions will settle on Friday, August 15, 2014.

The balance of Treasury financing requirements will be met with the weekly bill auctions, cash management bills, the monthly note and bond auctions, the August 5-year Treasury Inflation Protected Security (TIPS) reopening auction, the September 10-year TIPS reopening auction, the October 30-year TIPS reopening auction, and the monthly 2-year Floating Rate Note (FRN) auctions.

Projected Financing Needs

Over the last quarter, in response to improvements in the fiscal outlook, Treasury reduced coupon offering sizes in the 2- and 3-year maturity offerings. In total, these cuts have reduced Treasury's annualized borrowing capacity by \$72 billion. Based on current fiscal forecasts, coupon auction sizes will remain steady going forward. Treasury will continue to monitor projected financing needs and make appropriate adjustments as necessary.

Treasury plans to address changes in any seasonal borrowing needs over the next quarter through changes in regular bill auction sizes and/or cash management bills.

Test Buyback Operation

Treasury last conducted a buyback operation in April 2002. Given that IT systems have changed significantly in the 12 years since the last buyback operation, Treasury believes it is prudent to regularly test the current IT infrastructure to ensure that the existing buyback functionality remains operational.


Treasury expects to conduct a small-scale buyback of nominal coupons in the coming quarter. Details regarding the test buyback, including size, eligible CUSIPs, and settlement date, will be forthcoming. Test buyback participation will only be open to primary dealers, as designated by the Federal Reserve Bank of New York.

This small-scale buyback operation should not be viewed by market participants as a precursor or signal of any pending policy changes regarding Treasury's use of buybacks.

Large Position Report (LPR) Proposed Rule Update

On June 10, 2014, Treasury issued a Notice of Proposed Rule Making (NPRM) to solicit public comments on proposed amendments to the reporting requirement pertaining to very large positions in certain Treasury securities. The Large Position Report (LPR) regulations

issued under the Government Securities Act Amendments of 1993 are designed to provide Treasury with information to better understand the supply and demand dynamics in the Treasury market. The proposed amendments are designed to improve the information available to Treasury and to simplify the existing reporting process for entities that are subject to the large position reporting rules.

The comment period for the NPRM closes on August 9, 2014. Treasury encourages market participants to review the NPRM and provide any comments. A copy of the NPRM along with information on how to submit comments can be found at the following link: <http://www.gpo.gov/fdsys/pkg/FR-2014-06-10/pdf/2014-13482.pdf> .

Cash Management Policy

Over the last 15 years, several events, such as the terrorist attacks on September 11th and Super Storm Sandy, have caused disruptions to the broader financial system and Treasury's auction capabilities. As such, Treasury believes that a review of Treasury's cash balance policy is an appropriate part of our overall risk management process. Treasury will apprise market participants of any potential changes in its cash management policy well in advance.

Please send comments and suggestions on these subjects or others related to debt management to debt.management@treasury.gov. The next quarterly refunding announcement will take place on Wednesday, November 5, 2014.