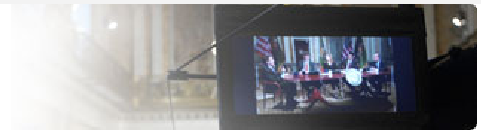
U.S. DEPARTMENT OF THE TREASURY

Press Center



Quarterly Refunding Statement of Acting Assistant Secretary for Financial Markets Seth B. Carpenter

5/6/2015

WASHINGTON – The U.S. Department of the Treasury is offering $64 billion of Treasury securities to refund approximately $67 billion of Treasury notes maturing on May 15, 2015. This will result in a debt pay down of approximately $3 billion. The securities are:

- A 3-year note in the amount of $24 billion, maturing May 15, 2018;
- A 10-year note in the amount of $24 billion, maturing May 15, 2025; and
- A 30-year bond in the amount of $16 billion, maturing May 15, 2045.

The 3-year note will be auctioned on a yield basis at 1:00 p.m. ET on Tuesday, May 12, 2015. The 10-year note will be auctioned on a yield basis at 1:00 p.m. ET on Wednesday, May 13, 2015. The 30-year bond will be auctioned on a yield basis at 1:00 p.m. ET on Thursday, May 14, 2015. All of these auctions will settle on Friday, May 15, 2015.

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

Projected Financing Needs

Based on current fiscal forecasts, Treasury intends to maintain coupon issuance sizes at current levels over the upcoming quarter. 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.

Cash Balance Policy

At the August 2014 Refunding, the Treasury Borrowing Advisory Committee (TBAC) recommended that Treasury review its cash balance policy as part of an overall risk management process. Events that have occurred over the last 15 years, such as the terrorist attacks on September 11th and Superstorm Sandy, have caused disruptions to the broader financial system and Treasury's auction capabilities. Treasury further stated at the February 2015 Refunding that it believed holding a higher cash balance was prudent and that it continues to study the idea.

Based on our review, the TBAC's recommendations, and an assessment of emerging threats, such as potential cyber-attacks, Treasury believes it is prudent to change its cash management policy starting this month. To help protect against a potential interruption in market access, Treasury will hold a level of cash generally sufficient to cover one week of outflows in the Treasury General Account, subject to a minimum balance of roughly $150 billion.

Bills Supply

The supply of bills outstanding as a percentage of the total Treasury portfolio is at a multi-decade low of approximately 11 percent. Demand for Treasury bills is high and is expected to grow even more significant. Therefore, Treasury believes that it is prudent to increase the level of Treasury bills outstanding, at least somewhat, within the total amount of securities issued for authorized purposes. This increase in issuance will help achieve our objective of lowest cost of funding over time and will enhance market functioning and liquidity. Furthermore, this increase in Treasury bill supply should not be interpreted as changing Treasury's debt issuance strategy of extending the weighted average maturity of the debt.

Test Buyback Operation

Treasury successfully conducted a second test buyback operation on April 16, 2015. Treasury believes that it is prudent to periodically test the existing IT infrastructure to ensure that the buyback functionality remains operational. Accordingly, Treasury will periodically conduct other small-value buyback operations to continue testing the buyback infrastructure. Details of such an operation will be announced at a later date.

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

Debt Limit

The debt limit places a limitation on the total amount of money that the United States government is authorized to borrow to meet its existing legal obligations, including Social Security and Medicare benefits, military salaries, interest on the national debt, tax refunds, and other payments. The debt limit does not authorize new spending commitments. It simply allows the government to finance existing legal obligations that Congresses and presidents of both parties have made in the past.

The *Temporary Debt Limit Extension Act* suspended the debt limit through March 15, 2015. Since Monday, March 16, the outstanding debt of the United States has been at the statutory limit. In advance of reaching that date, Treasury suspended until further notice the sale of State and Local Government Series securities, which count against the debt limit.

Because Congress did not act to raise the debt limit, the Treasury Department began taking extraordinary measures to continue to finance the government on a temporary basis. These actions have been utilized during previous debt limit impasses. Extraordinary measures provide sufficient "headroom" under the debt limit to allow the government to continue to meet its obligations for a period of time after March 16. There are a number of forecast factors that make it difficult to provide a precise estimate as to how long extraordinary measures will last. We will provide greater clarity at a later date regarding how long extraordinary measures will allow Treasury to continue to borrow. The new Treasury cash balance policy does not increase the debt limit or alter the length of time that Treasury can continue to pay the nation's bills.

Protecting the full faith and credit of the United States is the responsibility of Congress, because only Congress can extend the nation's borrowing authority. No Congress in our history has failed to meet that responsibility. The creditworthiness of the United States is not a bargaining chip, and Congress should address this matter without controversy or brinksmanship.

Accordingly, Treasury respectfully urges Congress to raise the debt limit as soon as possible.

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, August 5, 2015.

###