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TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 4:00 P.M. November 14, 1984

TREASURY TO AUCTION $9,000 MILLION OF 2-YEAR NOTES

The Department of the Treasury will auction $9,000 million of 2-year notes to refund $7,023 million of 2-year notes maturing November 30, 1984, and to raise $1,975 million new cash. The $7,023 million of maturing 2-year notes are those held by the public, including $659 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities.

The $9,000 million is being offered to the public, and any amounts tendered by Federal Reserve Banks as agents for foreign and international monetary authorities will be added to that amount. Tenders for such accounts will be accepted at the average price of accepted competitive tenders.

In addition to the public holdings, Government accounts and Federal Reserve Banks, for their own accounts, hold $548 million of the maturing securities that may be refunded by issuing additional amounts of the new notes at the average price of accepted competitive tenders.

Details about the new security are given in the attached highlights of the offering and in the official offering circular.

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Attachment

R-2924

HIGHLIGHTS OF TREASURY
OFFERING TO THE PUBLIC
OF 2-YEAR NOTES
TO BE ISSUED NOVEMBER 30, 1984

November 14, 1984

Amount Offered:	
To the public	$9,000 million
Description of Security:	
Term and type of security	2-year notes
Series and CUSIP designation	Series AB-1986 (CUSIP No. 912827 RN 4)
Maturity date	November 30, 1986
Call date	No provision
Interest rate	To be determined based on the average of accepted bids
Investment yield	To be determined at auction
Premium or discount	To be determined after auction
Interest payment dates	May 31 and November 30
Minimum denomination available	$5,000
Terms of Sale:	
Method of sale	Yield Auction
Competitive tenders	Must be expressed as an annual yield, with two decimals, e.g., 7.10%
Noncompetitive tenders	Accepted in full at the average price up to $1,000,000
Accrued interest payable by investor	None
Payment by non-institutional investors	Full payment to be submitted with tender
Payment through Treasury Tax and Loan (TT&L) Note Accounts	Acceptable for TT&L Note Option Depositaries
Deposit guarantee by designated institutions	Acceptable
Key Dates:	
Receipt of tenders	Wednesday, November 21, 1984, prior to 1:00 p.m., EST
Settlement (final payment due from institutions)	
a) cash or Federal funds	Friday, November 30, 1984
b) readily collectible check	Wednesday, November 28, 1984

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 12:00 NOON November 15, 1984

TREASURY ANNOUNCES OFFERINGS OF 5-YEAR 2-MONTH DOMESTIC NOTES AND 5-YEAR 2-MONTH FOREIGN-TARGETED NOTES

The Department of the Treasury will auction $6,750 million of 5-year 2-month domestic notes and up to $1,000 million of 5-year 2-month foreign-targeted notes to raise new cash.

The $6,750 million of domestic notes is being offered to the public, and amounts tendered by Federal Reserve Banks as agents for foreign and international monetary authorities will be added to that amount at the average price of accepted competitive tenders.

The foreign-targeted notes will be sold only under competitive bidding, and only to foreign institutions, to foreign branches of United States financial institutions, to central banks or monetary authorities of foreign governments, or to certain public international organizations of which the United States is a member. A maximum of $1,000 million of bids will be accepted, and if less than $500 million of acceptable bids is received, none will be accepted. A bidder must certify that, as of the date of issuance, the notes are not being acquired for, or for offer to resell to, a United States person. In any event, the issue may not be sold to United States persons for 45 days (until January 13, 1985). United States persons who purchase the notes from January 13, 1985, onwards must meet U. S. tax requirements. In addition, such notes may be exchanged for the companion domestic notes in accordance with the terms of the circular.

Details about both security offerings are given in the attached highlights of the offerings and in the official Offering Circulars. Potential bidders for the foreign-targeted notes should obtain copies of the Offering Circular, which are available at the Federal Reserve Bank of New York, Securities Department, Room 835, or at the Treasury Department, Public Affairs, Room 2315, Washington, D. C.

Attachment

R-2925

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF 5-YEAR 2-MONTH DOMESTIC NOTES AND OF 5-YEAR 2-MONTH FOREIGN-TARGETED NOTES TO BE ISSUED DECEMBER 3, 1984

November 15, 1984

	Domestic	Foreign-Targeted
Amount Offered	$6,750 million	Up to $1,000 million
Eligible Bidders	The Public	See Sections 2.1 and 2.19 of the Offering Circular.
Description of Security:		
Term and type of security	5-year 2-month notes	5-year 2-month foreign-targeted note
Series	G-1990	H-1990
CUSIP designation	912827 RP 9	912827 RQ 7
Maturity date	February 15, 1990	February 15, 1990
Interest rate	To be determined based on the average of accepted bids	Same as the rate established in the companion domestic auction
Investment yield	To be determined at auction	To be determined at auction
Premium or discount	To be determined after auction	To be determined after auction
Interest payment dates	August 15 and February 15 (first interest payment August 15, 1985)	February 15 (first interest payment February 15, 1986)
Minimum denomination available	$1,000	$1,000
Terms of Sale:		
Method of sale	Yield auction	Yield auction
Competitive bids	Must be expressed as an annual yield, with two decimals, e.g., 7.10%, based on a semi-annual interest payment	Must be submitted to the Federal Reserve Bank (FRB) New York and expressed as an annual yield, with two decimals, e.g., 7.10%, based on an annual interest payment
Noncompetitive bids	Accepted in full at the average price up to $1,000,000	Not permitted
Minimum bid	$1,000	Aggregate amount at lowest yield bid for must be at least $50,000,000. See Section 6 of Offering Circular.
Payment Instructions:		
Designation of paying institution	No provision	See Section 6 of Offering Circular.
Payment by non-institutional investors	Full payment to be submitted with tender	Not applicable
Guarantee by designated institution (when required)	Acceptable	See Section 6 of Offering Circular.
Payment through Treasury Tax and Loan (TT&L) Note Accounts	Acceptable for TT&L Note Option Depositaries	No provision
Key Dates:		
Receipt of tenders	Wednesday, November 28, 1984, prior to 1:00 p.m., EST	Wednesday, November 28, 1984, prior to 1:00 p.m., EST, at FRB New York
Settlement		
a) Funds immediately available to the Treasury	Monday, December 3, 1984	Monday, December 3, 1984, no later than 9:00 a.m., EST, at FRB New York
b) Readily-collectible check	Thursday, November 29, 1984	Not applicable

UNITED STATES OF AMERICA

FOREIGN - TARGETED TREASURY NOTES OF FEBRUARY 15, 1990
SERIES H - 1990

Department of the Treasury

Offering Circular

November 15, 1984

Outside the United States, this offering circular is for informational purposes and does not constitute an offer or solicitation, and it may not be used for the purpose of or in connection with any offer or solicitation by any person in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

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UNITED STATES OF AMERICA

FOREIGN-TARGETED TREASURY NOTES OF FEBRUARY 15, 1990
SERIES H-1990

DEPARTMENT CIRCULAR
Public Debt Series No. 38-84

DEPARTMENT OF THE TREASURY,
OFFICE OF THE SECRETARY,
Washington, D.C., November 15, 1984.

Section 1. INVITATION FOR TENDERS

1.1. Introduction. The Secretary of the Treasury, pursuant to the authority granted him by Chapter 31 of Title 31, United States Code, invites tenders for up to $1,000,000,000 of United States securities designated Foreign-Targeted Treasury Notes of February 15, 1990, Series H-1990 (CUSIP No. 912827 RQ 7) (collectively the "Notes", individually a "Note"). The Notes will be auctioned in the United States on November 28, 1984, by competitive bidding only. Payment must be made as set forth below in United States dollars. The stated interest rate on the Notes and the price equivalent of each accepted bid will be determined in the manner described in Section 6.7.

1.2. Targeted Nature of the Notes. Treasury will sell the Notes only to Bidders as defined in Section 2.1. Bidders must acquire the Notes only for themselves or on behalf of, or for sale or other transfer to, United States Aliens as defined in Section 2.19 or foreign branches of United States Financial Institutions. In addition, any transfers by Bidders after January 12, 1985, to Qualifed Holders as defined in Section 2.15 that are United States Persons must be consistent with the tax certification described in Section 11.2.

1.3. Transfer Restrictions. Before January 13, 1985, the Notes may not be sold or transferred to a United States Person as defined in Section 2.20, other than a foreign branch of a United States Financial Institution. Each Bidder for the Notes must certify on the tender form for the Notes that it will not sell, contract to sell, or otherwise transfer the Notes to a United States Person, other than a foreign branch of a United States Financial Institution, before January 13, 1985. Each Bidder further agrees that, if it sells, contracts to sell, or otherwise transfers the Notes before January 13, 1985, it will confirm to such purchaser or transferee in writing that (i) there is a restriction on sale or other transfer to United States Persons other than foreign branches of United States Financial Institutions and (ii) that such confirmation is required to be given to any subsequent purchaser or transferee that acquires the Notes before January 13, 1985. The transfer restriction of this Section 1.3 is in addition to the tax certification of a Bidder described in Section 11.2. As described in Section 11.2, the Bidder must certify that, as of the date of issuance, Notes acquired by the Bidder will not be owned by a United States Person, other than a foreign branch of a United States Financial Institution, and that the Notes are not being acquired on behalf of such a person, or for offer to resell or for resale to such a person. This tax certification requirement is independent of the transfer restriction of this Section 1.3.

1.4. Tax Treatment. The Notes are subject to United States federal income tax as provided in the Internal Revenue Code as defined in Section 2.8. Interest on the Notes paid to a United States Alien is not subject to United States federal income tax if the conditions of sections 871(h) or 881(c) of the Internal Revenue Code and the regulations related thereto are satisfied. The discussion in Section 11 is only a summary of the currently applicable tax requirements. The tax consequences of holding the Notes derive solely from the Internal Revenue Code and regulations now or hereafter promulgated thereunder.

Section 2. DEFINITIONS

The following terms, whenever used and capitalized in this offering circular, shall have the meanings set forth below.

2.1. Bidder. (i) A United States Alien, other than an individual, or (ii) a foreign branch of a United States Financial Institution.

2.2. Definitive Notes. Notes (as defined in Section 1.1) evidenced by a certificate that is inscribed with the name of the Registered Owner.

2.3. Domestic Notes. Companion securities sold at auction on November 28, 1984, and designated Treasury Notes of February 15, 1990, Series G-1990 (CUSIP No. 912827 RP 9).

2.4. Exchange Adjustment. As defined in Section 10.3.

2.5. Financial Institution. A securities clearing organization, a bank, or other financial institution, other than an International Financial Organization, that holds customers' securities in the ordinary course of its trade or business, within the meaning of section 871(h) (4) (B) of the Internal Revenue Code.

2.6. FRB NY. The Federal Reserve Bank of New York, located at 33 Liberty Street, New York, New York.

2.7. Holding Institution. A Financial Institution or an International Financial Organization that has a book-entry account with FRB NY.

2.8. Internal Revenue Code. The United States Internal Revenue Code of 1954, as amended from time to time (Title 26 of the United States Code).

2.9. International Account. A book-entry account of a Holding Institution with FRB NY for which records are maintained by FRB NY that specifically identify a foreign Financial Institution, a foreign branch of a United States Financial Institution, or an International Financial Organization. A United States branch of a foreign Financial Institution may not establish an International Account. A United States subsidiary of a foreign Financial Institution may establish an International Account in accordance with the requirements of the first sentence of this Section 2.9.

2.10. International Financial Organization. A central bank or monetary authority of a foreign government or a public international organization of which the United States is a member that is characterized as a foreign corporation for United States federal income tax purposes to the extent that such central bank, authority, or organization holds Notes solely for its own account and is exempt from United States federal income tax under sections 892 or 895 of the Internal Revenue Code.

2.11. Note or Notes. As defined in Section 1.1.

2.12. Payment Guarantee. A guarantee of payment to Treasury for an amount equal to 5 percent of the par amount of Notes for which a tender is submitted by or on behalf of a Bidder.

2.13. Paying Institution. A Financial Institution that has a reserve, clearing, or other dollar account with FRB NY and that has been designated on the tender form to pay for the Notes or an International Financial Organization designated to pay for Notes for which it is the Registered Owner.

2.14. Primary Dealer. A dealer on the list of reporting dealers published by FRB NY.

2.15. Qualified Holder. Before January 13, 1985, a United States Alien or a foreign branch of a United States Financial Institution and after January 12, 1985, a United States Alien or a United States Person.

2.16. Registered Owner. The Financial Institution or International Financial Organization specifically identified on the records of FRB NY maintained for an International Account, or, for Notes held in a book-entry account other than an International Account, the Holding Institution, or, for a Definitive Note, the person whose name is inscribed on the Note and recorded on the books of FRB NY.

2.17. Secretary. The Secretary of the United States Department of the Treasury, the legal successor of the Secretary, and delegates of the Secretary or such legal successor.

2.18. Treasury. The United States Department of the Treasury.

2.19. United States Alien. A corporation, partnership, individual, or fiduciary that for United States federal income tax purposes, as to the United States (including its territories, possessions, all areas subject to its jurisdiction and the Commonwealth of Puerto Rico), is a foreign corporation, a nonresident alien individual, a nonresident alien fiduciary of a foreign estate or trust; a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a nonresident alien individual, or a nonresident alien fiduciary of a foreign estate or trust; or an International Financial Organization.

2.20. United States Person. A citizen, national, or resident of the United States; a corporation, partnership, or other entity created or organized in or under the laws of the United States or any political subdivision thereof; or an estate or trust that is subject to United States federal income tax regardless of the source of its income.

2.21. United States-Related Person. A United States Person, a controlled foreign corporation within the meaning of section 957(a) of the Internal Revenue Code, or a foreign corporation 50 percent or more of whose gross income from all sources for the three-year period ending with the close of the taxable year preceding the subject payment was effectively connected with the conduct of a trade or business in the United States.

2.22. Withholding Agent. The United States Person that would be required to deduct and withhold United States federal income tax from interest on the Notes under sections 1441(a) or 1442(a) of the Internal Revenue Code if such interest were not portfolio interest within the meaning of sections 871(h) and 881(c) of the Internal Revenue Code.

Section 3. FISCAL AGENT AS REGISTRAR

3.1. Fiscal Agent as Registrar. FRB NY is designated to act on behalf of Treasury as the exclusive fiscal agent and, as such, registrar for this issue. FRB NY is authorized to receive tender forms and payment, issue the Notes, maintain and service securities accounts, pay principal and interest, conduct exchange and conversion transactions, redeem the Notes at maturity and otherwise act as necessary in its capacity as fiscal agent.

Section 4. DESCRIPTION OF THE NOTES

4.1. The Notes. The Notes will be issued as direct obligations of the United States of America. The Notes will be issued in book-entry form on December 3, 1984, and will bear interest in accordance with the accrual formula for Notes paying annual interest set forth at Attachment D, payable on an annual basis on February 15, 1986, and on February 15 of each subsequent year through the maturity date. The Notes will mature on February 15, 1990, and are not subject to call or redemption prior to maturity. After January 12, 1985, the Notes may be converted to Definitive Notes as described in Section 9. Interest and principal on the Notes will be paid in United States dollars in accordance with the procedures set forth in Sections 8.5 and 9.3. After January 12, 1985, the Notes will be acceptable to secure deposits of public monies of the United States.

4.2. Transfer and Exchange. Ownership of the Notes is transferable as provided in Sections 8 and 9. The Notes may be exchanged for Domestic Notes as provided in Section 10. If the applicable requirements of Section 11 have been complied with, after January 12, 1985, the Notes may be acquired and owned by a United States Person and Domestic Notes acquired in exchange for the Notes may be acquired and owned by either a United States Alien or a United States Person.

4.3. No Gross-up. There will be no future increase in payments to offset any changes in tax requirements affecting these Notes.

4.4. Denominations. Definitive Notes will be issued in denominations of $1,000, $5,000, $10,000, $100,000, and $1,000,000. Notes in book-entry form will be issued in multiples of those amounts.

4.5. Governing Regulations. Treasury's general regulations governing United States securities (Part 306 of Title 31 of the Code of Federal Regulations) apply to the Notes offered in this offering circular, except as otherwise provided herein.

4.6. Long Coupon. There will be no interest payment on February 15, 1985, for the interest accrual period on the Notes from December 3, 1984, to February 15, 1985. Interest earned during this period will be added to the annual coupon payable on February 15, 1986, and paid on that date. The amount of interest earned from December 3, 1984, to February 15, 1985, will be determined using the day count conventions (as defined in Attachment D) for securities paying annual interest. Application of these conventions means that the amount of interest earned during the first interest accrual period will be computed by multiplying the amount of the regular annual coupon by the fraction 72/360.

Section 5. DOMESTIC NOTES

5.1. Domestic Auction. On November 28, 1984, Treasury also will auction Domestic Notes that will be issued on the same day as the Notes and will have the same maturity date and stated interest rate as the Notes. After January 12, 1985, the Notes may be exchanged for Domestic Notes in accordance with the procedures set forth in Section 10.

Section 6. BIDDING AND SALE PROCEDURES

6.1. Bidders. Tender forms may be submitted only by or on behalf of Bidders. Individuals may not be Bidders. A syndicate must be comprised only of Bidders to be considered a Bidder. Tender forms may be submitted by an agent of a Bidder if the identity of the Bidder is disclosed.

6.2. Tender Submission. Bids must be submitted on the prescribed tender form and must be received at FRB NY, First Floor, before 1:00 p.m. New York time, Wednesday, November 28, 1984. Persons submitting tender forms will receive time-stamped receipts. Beginning at 1:00 p.m. New York time on November 28, 1984, bids are irrevocable. A sample tender form is set forth at Attachment A. Tender forms may be obtained at FRB NY and at Treasury offices in Washington, D.C.

6.3. Payment Instructions. Bidders are required to make arrangements to pay for the Notes before submitting a bid. Each Bidder must designate a Paying Institution on the tender form. Except as set forth below, each Paying Institution must advise FRB NY no later than 12:00 noon New York time on November 27, 1984, that it has agreed to serve as a Paying Institution for a named Bidder. That advice must be given in the form set forth at Attachment B to this offering circular. The Attachment B notice is not required if (i) the Bidder and its designated Paying Institution are the same legal entity or (ii) the Paying Institution is submitting the tender form as agent for a Bidder, and if the signature of the authorized signer of the Paying Institution on the tender form is on file with FRB NY as an authorized signature of the Paying Institution. The Paying Institution may withdraw or modify its agreement to serve as Paying Institution by notifying FRB NY in accordance with Attachment B. The withdrawal of a Paying Institution after a bid has been accepted does not relieve the Bidder of its obligation to pay for the Notes in funds available to Treasury at

FRB NY no later than 9:00 a.m. New York time on December 3, 1984. FRB NY will retain paying instructions on file and, if not revoked by the Paying Institution, Bidders may use such instructions in subsequent auctions of Treasury foreign-targeted securities.

6.4. Payment Guarantees. A Payment Guarantee is required unless (i) the Bidder and its designated Paying Institution are the same legal entity or (ii) the Bidder is a foreign branch (not a subsidiary) of a Primary Dealer. A Payment Guarantee may be provided by a Paying Institution or by a Primary Dealer. If the Payment Guarantee is provided by a Paying Institution or a Primary Dealer that is signing the tender form, it must be provided on the tender form. If the Payment Guarantee is provided by a Paying Institution that is not signing the tender form, it must be provided in a letter in the form of Attachment C. If the Payment Guarantee is provided by a Primary Dealer that is not signing the tender form, it must be submitted in a letter in the form of Attachment C. Payment Guarantees in the form of Attachment C must be received by FRB NY no later than 12:00 noon New York time on November 27, 1984. In addition to any other remedies available to the Secretary, the amount of this Payment Guarantee is subject to forfeiture in the Secretary's sole discretion if full payment for the Notes is not made in funds available to Treasury at FRB NY no later than 9:00 a.m. New York time on December 3, 1984. FRB NY will retain Payment Guarantees on file and, if not revoked by the Paying Institution or Primary Dealer providing the Payment Guarantee, Bidders may use such Payment Guarantee in subsequent auctions of Treasury foreign-targeted securities.

6.5. Minimum Bid. The par amount of the bid must be stated on each tender form. Multiple bids by a single Bidder are permitted. Each bid, however, must be submitted on a separate tender form. All bids must be in multiples of $1,000,000 and the aggregate amount bid at the lowest yield by each Bidder must be at least $50,000,000. A bid must show the annual yield for which it is submitted to two decimals, e.g., 7.10%, based on an annual interest payment. Fractions may not be used.

6.6. Maximum Awards. A Bidder, whether bidding individually or as a member of one or more syndicates, will not be awarded Notes with a par value in excess of $350,000,000. A syndicate will not be awarded Notes in excess of $500,000,000. If a Bidder submits one or more bids with a total par value in excess of such maximum awards, the excess (starting at the highest yield bid) will be disregarded for purposes of the prorated calculations referred to in Section 6.8. A syndicate must disclose: (i) the identity of any syndicate member that is submitting one or more other bids (either individually or as a member of another syndicate) if that member's total bids exceed $350,000,000, and (ii) the amount of Notes included in the syndicate bid for such disclosed syndicate member. Apart from such disclosures, the identity of syndicate members other than the head of the syndicate need not be disclosed.

6.7. Interest Rate and Price of Notes. The stated interest rate established in the auction of the Domestic Notes also will be applied to the Notes. That rate of interest, payable on an annual basis, will be paid on all of the Notes. Based on such interest rate, the price for each accepted yield (on an annual payment basis) will be determined and each successful Bidder will be required to pay the price equivalent to the yield bid.

Price calculations will be based on a 360-day year using the formula set forth at Attachment D for Treasury notes paying annual interest. Price calculations will be carried to three decimal places on the basis of price per hundred, e.g., 99.923. The determinations of the Secretary shall be final.

6.8. Announcement of Auction Results. On November 28, 1984, a public announcement of the amount and yield range of accepted bids for the Notes will be made by 5:00 p.m. New York time or as soon thereafter as possible. Bids for the Notes at yields equal to or greater than the highest accepted yield in the auction of the Domestic Notes (adjusted to an annual payment basis) will not be accepted. Subject to the limitations and reservations set forth in this Section 6, bids will be accepted starting with those at the lowest yield through successively higher yields until the total par amount of Notes offered has been awarded. Bids at the highest accepted yield will be prorated on a percentage basis, if necessary, taking into account the maximum award limitations of Section 6.6. For example, assume that in a $1 billion offering, bids totaling $900 million have been accepted and that three Bidders have submitted bids totaling $250 million at the next yield above those already accepted. Each of the three Bidders would then receive 40% ($100,000,000 divided by $250,000,000) of the amount of its bid at that yield.

6.9. Notification to Bidders. FRB NY will mail to each successful Bidder notification that its bid has been accepted. This notification will contain the confirmation described in Section 11.3. Copies of the written notification also will be available for pick-up by each successful Bidder and by its Paying Institution (and its Holding Institution, if different) at FRB NY, First Floor, by 12:00 noon New York time on November 29, 1984.

6.10. Reservations. It is the intent of the Secretary to issue $1,000,000,000 of the Notes. The Secretary expressly reserves the right to accept or reject any or all of the bids in whole or in part. If acceptable bids of less than $500,000,000 are submitted, no bids will be accepted. The Secretary's action under this Section 6.10 is final.

Section 7. PAYMENT FOR NOTES

7.1. Payment. Payment for the Notes will be made on December 3, 1984, by FRB NY debiting the account of each successful Bidder's Paying Institution.

Section 8. BOOK-ENTRY NOTES

8.1. Notes Held in Book-Entry Form. On the books of FRB NY, Notes may be held only by a Holding Institution. Before January 13, 1985, Notes may be held only in a Holding Institution's International Account. After January 12, 1985, Notes may be held in any book-entry account of a Holding Institution. Holding Notes in an account other than an International Account may affect the certifications required for tax purposes. See Section 11. A Holding Institution that has more than one available book-entry account with FRB NY may have more than one International Account. Each Bidder must identify on its tender form a Holding Institution with an International Account.

8.2. Transfer of Book-Entry Notes. Before January 13, 1985, FRB NY will transfer the Notes only between International Accounts. After January 12, 1985, the Notes may be transferred between any book-entry accounts of any Holding Institutions.

8.3. Book-Entry System. Book-entry records at FRB NY will reflect the aggregate holdings of Notes of each Holding Institution by account. The Holding Institution, and each subsequent holder in the chain to the ultimate beneficial owner, will have the responsibility of establishing and maintaining accounts for its customers. FRB NY will be responsible only for maintaining the book-entry accounts in its system, effecting transfers on its books, and ensuring that payments are made to the Holding Institution identified in its book-entry system. With respect to the Notes, FRB NY will act only upon instructions of the Holding Institution holding the Notes.

8.4. FRB NY as Fiscal Agent. FRB NY acts as fiscal agent of Treasury. All other holders in the chain between FRB NY and the ultimate beneficial owner act as agents of the beneficial owner or as agents of intermediary Financial Institutions and not as agents of Treasury.

8.5. Payment of Interest and Principal. Interest on Notes in book-entry form will be paid on the interest payment date, and Notes will be redeemed at par on the maturity date. Funds for interest or redemption payments will be credited to the Holding Institution. In the case of a Holding Institution that is an International Financial Organization, interest and redemption payments will be made at a foreign office of such International Financial Organization. In the event an interest payment date or the maturity date is a Saturday, Sunday, or other day on which Treasury in Washington, D.C. or FRB NY is not open for business, the interest or principal is payable (without additional interest) on the next day that both the Treasury in Washington, D.C. and FRB NY are open for business.

Section 9. DEFINITIVE NOTES

9.1. Definitive Notes. After January 12, 1985, book-entry Notes held at FRB NY may be converted to Definitive Notes. Each Definitive Note will contain on its face the following legend: "This obligation has been sold at original issuance in accordance with procedures reasonably designed to ensure that it will be sold only to a person that is not a United States person, other than a foreign branch of a United States financial institution, pursuant to sections 871(h) and 881(c) of the Internal Revenue Code of 1954, as amended."

9.2. Requests for Conversion to Definitive Notes. The request for conversion of book-entry Notes to Definitive Notes may be made to FRB NY only by a Holding Institution and must provide the name and address of the Registered Owner. The Registered Owner of a Definitive Note may be the beneficial owner or an entity (other than an International Financial Organization) holding the Note on behalf of a beneficial owner. Upon receipt of the appropriate certification, as described in Section 11, FRB NY will deliver the Definitive Note either over the counter or via registered mail in accordance with the instructions provided by the Holding Institution submitting the request for a Definitive Note.

9.3. Payment of Interest and Principal. Interest and maturity payments will be made by check payable to the Registered Owner or by credit to the reserve, clearing, or other dollar account of a Financial

Institution that is the Registered Owner, if that Financial Institution maintains such an account with FRB NY. Interest and maturity payments will be mailed or credited on the date such payments are due. In the event an interest payment date or the maturity date is a Saturday, Sunday, or other day on which Treasury in Washington, D.C. or FRB NY is not open for business, the interest or principal is payable (without additional interest) on the next day that both the Treasury in Washington, D.C. and FRB NY are open for business. Definitive Notes will be redeemed by FRB NY at par upon presentment by the Registered Owner or by a Holding Institution on behalf of the Registered Owner on or after the maturity date. Notes will not accrue interest after the maturity date.

9.4. Conversion to Book-Entry Form. A Registered Owner may convert a Definitive Note to book-entry form by submitting the Definitive Note to FRB NY through a Holding Institution. The signature of the Registered Owner must be guaranteed by the Holding Institution or certified by: (1) a United States diplomatic or consular representative; (2) a manager, assistant manager or other officer of a foreign branch of a bank or trust company incorporated in the United States, its territories or possessions, or the Commonwealth of Puerto Rico; or (3) a notary public or other officer authorized to administer oaths, provided that the official position and authority of any such officer is certified by a United States diplomatic or consular representative under seal of office. An International Financial Organization may convert a Definitive Note to book-entry form by submitting the Definitive Note, duly executed by an authorized official of such International Financial Organization, to FRB NY.

9.5. Transfer of Ownership. Ownership of Definitive Notes may be transferred by assignment. In order to reflect the change of ownership on the books of FRB NY, assigned Definitive Notes must be submitted for reregistration to FRB NY, together with the name and address of the new Registered Owner. The signatures of all assignors must be guaranteed by an institution that at the time of transfer is eligible to serve as a Paying Institution or certified by an individual who may certify signatures for purposes of Section 9.4 above.

9.6. Closed-Book Periods. Transactions involving Definitive Notes will not be accepted by FRB NY during closed-book periods. Such transactions include conversions between book-entry and Definitive Notes and changes in the registration of Definitive Notes. Books for Definitive Notes will be closed for one calendar month prior to and ending on an interest payment date and the maturity date. The Definitive Note books will be reopened on the next day that FRB NY is open for business following an interest payment date. No conversions or changes in registration will be allowed after the maturity date. During periods when the books for Definitive Notes are open, conversions and changes in registration of Definitive Notes generally will be processed by FRB NY within one week of receipt.

9.7. No Fees Imposed. FRB NY will not impose any fee for the issuance, transfer, exchange or redemption of Definitive Notes.

Section 10. EXCHANGE FOR DOMESTIC NOTES

10.1. Exchange Provision. After January 12, 1985, Notes issued under this offering circular may be exchanged for Domestic Notes. Definitive Notes or Notes in book-entry form may be exchanged at FRB NY for an equal par amount of Domestic Notes in either book-entry or definitive form. Exchanges of Domestic Notes for Notes will not be permitted.

10.2. Taxation. Upon exchange for Domestic Notes, the holder of such Domestic Notes will be required to comply with the tax requirements (including certification requirements) applicable to Domestic Notes. See also Section 11.

10.3. Adjustment Upon Exchange. At the time of the exchange of Notes for Domestic Notes, an adjustment will be made for the difference between the present value of the Notes based on the formula in Attachment D for Treasury notes paying annual interest and the present value of the Notes based on the formula in Attachment D for Treasury notes paying semiannual interest. This net adjustment consists of the Exchange Adjustment and accrued interest, if applicable. As used in this offering circular, "Exchange Adjustment" means the difference in the present values of the Notes resulting from applying the formulas in Attachment D, after adjusting for the difference in accrued interest. In determining present values, the future payments of interest and principal will be discounted by using the weighted average yield of the Notes at the time of auction in applying the annual formula and by using the semiannual equivalent of that yield in applying the semiannual formula. Calculation of the present values will be made using the formulas shown in Attachment D hereto. In the event the present value of the Notes based on semiannual interest payments exceeds the present value of the Notes based on annual interest payments, the holder must pay to Treasury an amount equal to the excess before the exchange will be processed. In the event the present value of the Notes based on the annual interest payments exceeds the present value of the Notes based on the semiannual interest payments, the holder will receive on the exchange an amount equal to the excess. The net adjustment will not reflect or take into account any market-based factor.

10.4. Closed-Book Periods. Exchange transactions involving Notes or Domestic Notes in definitive form will not be accepted during closed-book periods that will be in effect during the period of one calendar month prior to and ending on an interest payment date and the maturity date. Exchange transactions involving only Notes and Domestic Notes in book-entry form may not be accepted on the last day on which FRB NY is open for business preceding an interest payment date and the maturity date. The registration books for Notes and Domestic Notes in definitive form will be reopened on the first day following an interest payment date on which FRB NY is open for business. Except for the closed-book periods, exchange transactions involving only book-entry securities normally will be processed within one day; all other exchange transactions normally will be processed within one week of receipt by FRB NY. No exchanges will be allowed after the maturity date of the Notes.

Section 11. UNITED STATES TAXATION

11.1. Taxation of Interest and Principal to United States Aliens. Payments of interest and principal on the Notes to a United States Alien will not be subject to withholding of United States federal income tax if the Withholding Agent receives an effective certificate under Sections 11.4, 11.5, 11.6, or 11.7, and the other requirements described in the applicable section are satisfied. Failure to satisfy the requirements described in this Section 11.1 may result in imposition of a withholding tax.

11.2. Certification at Initial Issuance. A Bidder will be required to provide a written certification on the tender form that, as of the date of issuance, none of the Notes acquired by the Bidder will be beneficially owned by a United States Person, other than a foreign branch of a United States Financial Institution, or is being acquired on behalf of such a person, or for offer to resell or for resale to such a person. This certification is in addition to and not limited by the transfer restriction in Section 1.3. A certification made by a clearing organization must be based on such statements provided to the clearing organization by its member organizations. (Alternatively, a member organization of a clearing organization may provide the written certification directly to FRB NY.)

11.3. Confirmations. FRB NY will include a confirmation in the notification described in Section 6.9 that it is understood that the purchaser represents that it is not a United States Person or that if it is a United States Person it is a foreign branch of a United States Financial Institution. If the sale is to a dealer, the confirmation will state that the dealer is required to send a similar confirmation to its purchaser. Financial Institutions buying on behalf of or for resale to others are considered to be dealers and will be required to send confirmations to their customers.

11.4. Interest Certification: Financial Institutions. A Withholding Agent may make a payment of interest on a Note at an address outside the United States to a Registered Owner that is a Financial Institution without withholding United States federal income tax if (i) the Withholding Agent does not have actual knowledge that the beneficial owner of the Note is a United States Person (other than a foreign branch of a United States Financial Institution), (ii) the Note was sold in accordance with the procedures described in Sections 11.2 and 11.3, and (iii) the Financial Institution provides a certificate to the Withholding Agent in writing that states that the beneficial owner of the Note is not a United States Person (other than a foreign branch of a United States Financial Institution). No particular form is required for the certificate. If the Financial Institution does not hold Notes for a beneficial owner that is a United States Person (other than a foreign branch of a United States Financial Institution), a single certificate may be provided with respect to all of the Notes held by the Financial Institution. If a Financial Institution that is a Registered Owner transfers a Note and ceases to be the Registered Owner of such Note, then, except as described in Section 11.10, the Financial Institution will not be required to provide a certificate under this Section 11.4 with respect to such Note (unless the Financial Institution subsequently becomes the Registered Owner of the Note). Interest will be considered paid to a Registered Owner outside the United States if the Note is either recorded in a Holding Institution's International Account and interest is credited for that account or interest on a Definitive Note is delivered to the holder outside the United States.

11.5. Interest Certification: Clearing Organizations. A certificate described in Section 11.4 may be provided by a Financial Institution acting in its capacity as a clearing organization only if the clearing organization has received such a certificate from the member organization to which the interest is paid.

11.6. Interest Certification For Beneficial Owners that are United States Persons. A Withholding Agent may make a payment of interest on a Note to a Registered Owner that is a Financial Institution at an address outside the United States without withholding United States federal income tax if the Withholding Agent receives an effective statement, as described below, from the Financial Institution (relating to beneficial ownership by certain United States Persons), and, if the Financial Institution is not a United States-Related Person, the Withholding Agent makes the information returns described in Section 11.9. If the Financial Institution is a United States-Related Person, the statement must be signed under the penalties of perjury by an authorized representative of the Financial Institution and must state that the institution has received from the beneficial owner a certificate, as described below, and that the institution will make such information returns and otherwise comply with information reporting required under the Internal Revenue Code. If the Financial Institution is not a United States-Related Person, the statement must be signed under penalties of perjury by an authorized representative of the Financial Institution and must state (i) that the institution has received from the beneficial owner a certificate, as described below, or (ii) that it has received from another Financial Institution a similar statement that it, or another Financial Institution acting on behalf of the beneficial owner, has received a certificate, as described below, from the beneficial owner. In the case of multiple Financial Institutions between the beneficial owner and the person otherwise required to withhold, this statement must be given by each Financial Institution to the one above it in the chain. The certificate from the beneficial owner must (i) be signed by the beneficial owner under penalties of perjury, (ii) provide the name and address of the beneficial owner, (iii) provide the United States taxpayer identification number and state that it is the beneficial owner's correct number, and (iv) state that the beneficial owner is not subject to backup withholding due to notified payee underreporting. This certificate may be provided on Internal Revenue Service Form W-9 or a substitute form that is substantially similar to a Form W-9. No particular form is required for the statement provided by the Financial Institutions. However, the statement must provide the name and address of the beneficial owner, and a copy of the Form W-9 or substitute form must be attached.

11.7. Interest Certification In Other Cases. A Withholding Agent may make a payment of interest on a Note to a Registered Owner without withholding United States federal income tax if (i) the Withholding Agent does not have actual knowledge that the beneficial owner of the Note is a United States Person (other than a foreign branch of a United States Financial Institution), and if (ii) the Withholding Agent receives a certificate from the Registered Owner that (A) is signed by the beneficial owner under penalties of perjury, (B) certifies that such owner is not a United States Person, or in the case of an individual, that he is neither a citizen nor a resident of the United States, and (C) provides the name and address of the beneficial owner. The statement may be made, at the option of the Withholding Agent, on Internal Revenue Service Form W-8 or on a substitute form that is substantially similar to a Form W-8. A Withholding Agent also may make a payment of interest to a United States Alien Registered Owner without withholding United States federal income tax if an appropriate statement is provided to the Withholding Agent by a Financial Institution. In such case the statement must describe the obligation, be signed under penalties of perjury by an authorized representative of the Financial Institution and state (i) that the Financial Institution has received from the beneficial owner a Form W-8 or substitute form, or (ii) that it has received from another Financial Institution a similar statement that it, or another Financial Institution acting on behalf of the beneficial owner, has received the Form W-8 or substitute form from the beneficial owner. In the case of multiple Financial Institutions between the beneficial owner and the Withholding Agent, this certificate must be given by each Financial Institution to the one above it in the chain. No particular form is required for the statement provided by the Financial Institutions. However, the statement must provide the name and address of the beneficial owner, and a copy of the Form W-8 or a substitute form provided by the beneficial owner must be attached. The certification procedures of this Section 11.7 may be used in lieu of the procedures in Section 11.4 with respect to a payment of interest outside the United States on a Note registered in the name of a Financial Institution.

11.8. Prospective Determination. Any determination by the Secretary with respect to certification requirements pursuant to section 871(h) (4) of the Internal Revenue Code will be published and will be effective only with respect to payment of interest made more than one month after the publication of such a determination.

11.9. Certain Information Reporting. A Withholding Agent that receives a statement described in Section 11.6 from a Financial Institution that is not a United States-Related Person must make an information return on Internal Revenue Service Form 1099 of the payment with respect to which the statement (and accompanying certificate) is required for the calendar year in which the payment is made. The return should be completed as though the payment were made to the beneficial owner of the income.A Withholding Agent that receives a certificate described in Section 11.7 must make an information return on Internal Revenue Service Form 1042S of the payment with respect to which the certificate is required for the calendar year in which the payment is made. The certificate received with respect to the payment shall be attached to the Form 1042S required to be filed with respect to the payment.

11.10. Timing of Certificates at Interest Payments. The certificates or statements described in Sections 11.4 through 11.7 are required to be received by the Withholding Agent within the 90-day period prior to the interest payment date. However, if a certificate is received less than 30 days before that date, the Withholding Agent, in its discretion, may withhold tax. If the information provided on a certificate described in Section 11.4 or 11.5 changes within the 90-day period prior to the interest payment date, the person providing the statement must inform the Withholding Agent (or clearing organization) within 30 days of such change. For example, if during the 90-day period, but subsequent to furnishing a certificate, beneficial ownership of a Note is transferred to a United States Person, the person furnishing the certificate described in Section 11.4 or 11.5 is required to amend its certificate within 30 days of the transfer to inform the Withholding Agent that the obligation is being held by a United States Person. Except as provided in this Section 11.10, a certificate described in Section 11.4 or 11.5 does not have to be amended if Notes are transferred from one Financial Institution to another Financial Institution. If the information on a certificate described in Section 11.6 or 11.7 changes, the beneficial owner must notify the Withholding Agent, or a Financial Institution acting on behalf of the beneficial owner, within 30 days. The Financial Institution must promptly inform the Withholding Agent (or a Financial Institution holding an interest in the Note on its behalf) of such notice if the Financial Institution has been informed by the beneficial owner or if it has actual knowledge of such changes.

11.11. Retention of Certificates. The Withholding Agent is required to retain the written certifications for a period of four years after the close of the calendar year in which they were, respectively, obtained.

11.12. Information Reporting and Backup Withholding. Neither information reporting under section 6049 of the Internal Revenue Code nor backup withholding will apply to interest paid on a Note to a United States Alien if (i) the conditions of Section 11.1 are satisfied, (ii) the payor of the interest does not have actual knowledge that the payee is a United States Person, and (iii) if the payor is a United States-Related Person acting as a custodian, nominee or other agent of the payee, the payor has documentary evidence in its records that the payee is not a United States citizen or resident. Neither information reporting under section 6045 of the Internal Revenue Code nor backup withholding will apply to payments of principal made outside the United States on a Note to a United States Alien (i) if the payor of the principal is not a United States-Related Person; or (ii) if the payor is a United States-Related Person acting as a custodian, nominee or other agent of the payee, the payor does not have actual knowledge that the payee is a United States Person (other than a foreign branch of a United States Financial Institution) and has documentary evidence in its records that the payee is not such a person. Principal will be considered paid to a Registered Owner outside the United States if either the Note is recorded in a Holding Institution's International Account and principal is credited for that account, or principal on a Definitive Note is delivered to the holder outside the United States.

11.13. Original Issue Discount. The Secretary shall determine whether the Notes will be considered issued with original issue discount within the meaning of section 1273(a)(1) of the Internal Revenue Code. In the event the Notes are issued with original issue discount, that fact and the amount of the discount will be announced in an Internal Revenue Service publication. See also Section 11.15. A United States Alien described in Section 11.2 that is a holder of a Note will not be subject to United States federal income tax and no withholding of United States federal income tax will be required as a consequence of the Note having original issue discount if the conditions of Section 11.1 are satisfied with respect to stated interest on the Note. A holder of a Note that is a United States Person generally will be required to include in income the portion of the original issue discount allocable to each day during the year on which the Note is held. Any such income will increase such holder's tax basis for the Note, and any gain or loss on a sale of the Note, determined by comparing the amount realized in such sale with the holder's basis, as so adjusted, generally will be capital gain or loss.

11.14. Taxation of Gains to United States Aliens. A holder of a Note that is a United States Alien will not be subject to the United States federal income tax and no withholding of United States federal income tax will be required with respect to any gain realized on the sale, redemption or exchange of the Note provided such gain is not effectively connected with a United States trade or business, and further provided that: (i) if such United States Alien is a nonresident alien individual, such individual is not present in the United States for a total of 183 days or more during the taxable year in which such gain is realized, is not subject to tax under section 877 of the Internal Revenue Code as an expatriate of the United States and is not treated as a resident of the United States for the taxable year in which the gain is recognized under sections 6013(g) or 6013(h) of the Internal Revenue Code; or (ii) if such United States Alien holder is a foreign corporation, such foreign corporation will not have a past or present status as a personal holding company with respect to the United States or as a corporation which accumulates earnings to avoid United States federal income tax.

11.15. Exchange for Domestic Notes. A holder of a Note will not recognize gain or loss on the exchange of a Note for a Domestic Note under the procedures in Section 10. Upon the exchange, a holder will be considered to have received interest accrued on the Note up to the time of the exchange and to have paid to Treasury the Exchange Adjustment amount. (Actual payments will be only of the net amount. See Section 10.3.) The amount of the Exchange Adjustment will be considered an increase in the original issue price (which will reduce original issue discount, if any, with respect to the Note).

11.16. Federal Estate Taxation of United States Aliens. Any Note held by an individual who at the time of his death is not a citizen of or domiciled in the United States will not be included in the decedent's gross estate for purposes of United States federal estate tax at the time of such individual's death if interest paid on the Note to the individual at the time of his death would not have been subject to withholding of United States federal income tax because the conditions described in Section 11.1 are satisfied but without regard to whether a certificate or statement described in Section 11 has been received by the Withholding Agent since the last interest payment.

11.17. State and Local Taxation. The Notes are exempt from all taxation now or hereafter imposed on the obligation or interest thereof by any State, any possession of the United States or any local taxing authority, except for: (i) a non-discriminatory franchise or other nonproperty tax instead of a franchise tax imposed on a corporation, or (ii) an estate or inheritance tax. See section 3124 of Title 31 of the United States Code.

Section 12. SANCTIONS

12.1. Sanctions. In the Secretary's sole discretion, any person found to be in violation of any requirement or provision set forth in this offering circular may be excluded from bidding for or purchasing some or all future issues of Treasury foreign-targeted securities and may be subject to such other sanctions as determined by the Secretary.

Section 13. GENERAL PROVISIONS

13.1. Applicable Law. The law governing all matters relating to the terms and conditions of the Notes is the federal law of the United States.

13.2. Modifications. The Secretary may supplement or amend provisions of this offering circular governing the offering if such supplements or amendments do not adversely affect existing rights of holders of the Notes. Public announcement of such future changes will be promptly provided.

13.3. Monthly Information. The Secretary will publish the total amount of Notes outstanding in the Monthly Statement of the Public Debt.

13.4. Listing. The Notes will be listed on the New York Stock Exchange as of December 3, 1984.

13.5. Eligibility for Clearance. The Notes will be eligible for clearance on Euro-Clear and CEDEL.

13.6. Headings. The headings of sections and subsections in this offering circular are inserted, for convenience of reference only and shall not be deemed to be part of this offering circular.

13.7. Attachments Incorporated. Attachments A through D and any terms and conditions set forth therein are incorporated as part of this offering circular.

13.8. Waiver. The Secretary reserves the right, in his discretion, to waive any provision or provisions of this offering circular.

13.9. Sale in the United States. The Notes are offered for sale only in the United States. Resale or reoffering of the Notes outside the United States is authorized only when such resale or reoffering complies with the securities laws and other applicable laws of jurisdictions in which such resale or reoffering occurs. Bidders and their agents are responsible for ensuring compliance with the laws of such jurisdictions.

Carole Jones Dineen
Fiscal Assistant Secretary

TENDER FOR 5- YEAR 2- MONTH FOREIGN - TARGETED TREASURY NOTES OF FEBRUARY 15, 1990, SERIES H - 1990

IMPORTANT — ONLY COMPETITIVE TENDERS WILL BE ACCEPTED AND MUST BE RECEIVED BY THE FEDERAL RESERVE BANK OF NEW YORK BEFORE 1:00 P.M. NEW YORK TIME ON NOVEMBER 28, 1984.

To: Federal Reserve Bank of New York
Fiscal Agent of the United States
33 Liberty Street
New York, New York 10045

The undersigned offers to purchase the above-described Notes in the amount indicated below and agrees to make payment therefor at FRB NY in accordance with the provisions of the official offering circular (Department Circular, Public Debt Series No. 38-84). The definitions in the official offering circular apply to this tender form.

The total par amount bid at the lowest yield must be at least $50,000,000. Par amount bid for must be a multiple of $1,000,000. Bidders may submit multiple bids but each bid must be submitted on a separate tender form.

COMPETITIVE TENDER

PAR AMOUNT

$................................(United States dollars)
(maturity value)

ANNUAL YIELD

....
(Yield must be expressed to two decimal places, for example, 7.10%)

☐ Check here if this is a syndicate bid.

DELIVERY AND PAYMENT INSTRUCTIONS

Issue book-entry Notes to be held at FRB NY in an International Account of ....

....
(Name and Address of Holding Institution)

Payment for Notes awarded will be made through..
(Name and Address of Paying Institution)

☐ By charge to reserve account; ☐ By charge to clearing account; ☐ By charge to other dollar account

Authorization for such charge must be on file with FRB NY in accordance with the provisions of the official offering circular. If otherwise eligible, the Holding Institution and the Paying Institution may be, but do not have to be, the same.

Bid may be submitted only by or on behalf of Bidders as defined in the official offering circular. If the tender form is submitted by a United States Person, other than a foreign branch of a United States Financial Institution, it must be acting solely as agent for a disclosed Bidder.

TENDER FORM IS SUBMITTED BY: (Please print or type)

NAME...

ADDRESS...

CITY....................STATE...ZIPCODE................

COUNTRY...

AREA CODE...... TELEPHONE NUMBER...............

If acting as agent, Bidder must be identified below. If Bidder is a syndicate, the head of the syndicate must be identified below.

NAME...

ADDRESS...

....

BIDS WILL BE CONSIDERED ONLY IF THE REVERSE SIDE IS COMPLETED AND EXECUTED.

CERTIFICATIONS AND GUARANTEE

1. WE HEREBY CERTIFY that (i) as of December 3, 1984, none of the Notes awarded to us will be beneficially owned by a United States Person, other than a foreign branch of a United States Financial Institution, and (ii) none of the Notes awarded to us is being acquired on behalf of a United States Person, other than a foreign branch of a United States Financial Institution, or for offer to resell or for resale to such a person.

2. WE FURTHER CERTIFY that we will not sell, contract to sell, or otherwise transfer Notes issued to us to a United States Person, other than a foreign branch of a United States Financial Institution, until after January 12, 1985. We further agree that if we sell, contract to sell, or otherwise transfer a Note before January 13, 1985, we will confirm to such purchaser or transferee in writing that (i) there is a restriction on sale or other transfer to United States Persons other than foreign branches of United States Financial Institutions and (ii) that such confirmation is required to be given to any subsequent purchaser or transferee that acquires the Note before January 13, 1985. We understand that this certification is independent of, and that any transfer must be consistent with, the certification of the preceding paragraph.

3. If this is a syndicate bid, WE FURTHER CERTIFY that, except as identified below, no syndicate member is bidding for Notes in excess of $350,000,000, either through this syndicate, individually, or through another syndicate. (Supply below the identity of any syndicate bidders whose total bids are in excess of $350,000,000 and the amount of Notes included in this syndicate bid for each such member.)

____

____

☐ Check here if entity submitting the bid is eligible to and does hereby guarantee payment to Treasury, in accordance with the terms of the official offering circular, of an amount equal to 5% of the Notes for which the tender is submitted. If this box is not checked, a payment guarantee in the form specified in the official offering circular must have been submitted previously to FRB NY unless the Bidder is exempt from such guarantee requirement.

If this tender form is submitted by an agent for a Bidder, the above certifications are made by the agent on behalf of, and are binding on, that principal.

TENDER IS SUBMITTED BY: ______________________________

AUTHORIZED SIGNATURE: ______________________________

NAME AND TITLE OF
AUTHORIZED SIGNER: ______________________________

DATE: ______________________________

INSERT THIS TENDER FORM IN ENVELOPE MARKED
"TENDER FOR FOREIGN - TARGETED TREASURY NOTES"

Attachment B

[Letterhead of Paying Institution]

Federal Reserve Bank of New York
33 Liberty Street, Room 835
New York, New York 10045
Attn: Mr. Stuart Zorfas
Chief, Securities Department

Gentlemen:

1. We hereby authorize you to debit our (reserve, clearing, or other dollar) account in an amount not to exceed $__________________, as payment for United States Treasury securities targeted to foreign investors ("Securities") awarded to (name Bidder). Terms used herein shall have the same meaning as set forth in the official offering circular applicable to the Securities.

2. We retain the right to modify or withdraw this authority. We understand that any such modification or withdrawal must be in writing and must be delivered to FRB NY. We understand that, unless restricted to a specific auction, this letter will be retained by FRB NY and, until modified or withdrawn, may be used by (name Bidder) to pay for any Securities purchased by (name Bidder).

3. We further understand that any Securities paid for by a debit to our (reserve, clearing, or other dollar) account will be issued to our International Account. (This sentence is not required if the Paying Institution signing this letter is willing to permit the Securities paid for under this authorization to be issued to another Holding Institution's International Account.)

4. The following signature(s) is (are) a specimen of the authorized signature(s) which will appear on the tender form submitted by (name Bidder):

____
(Authorized Signature of Bidder
or Bidder's Agent)

____
(Name of Authorized Signer)

____
(Title of Authorized Signer)

ATTACH SEPARATE SHEET FOR ADDITIONAL SIGNATURES

____
(Name of Paying Institution)

By: ______________________________
(Authorized Signature)

____
(Name of Authorized Signer)

____
(Title of Authorized Signer)

____
(Date)

Receipt Acknowledged:

____
FRB NY

TERMS AND FORM OF THIS LETTER MAY NOT BE ALTERED
EXCEPT AS INDICATED IN PARAGRAPH 3

Attachment C

[Letterhead of Guarantor]

Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
Attn: Mr. Stuart Zorfas
Chief, Securities Department

Gentlemen:

This is to advise you that we guarantee payment to Treasury of an amount equal to 5% of the par amount, but not in excess of $________________, of any United States Treasury securities targeted to foreign investors ("Securities") for which ____ bids.
(name of Bidder)

We acknowledge that this guarantee may not be withdrawn during any period between the deadline for submission of bids for Securities and payment for those Securities.

____
(Name of Guarantor)

By: ______________________________
(Authorized Signature)

____
(Name and Title of Authorized Signer)

____
(Date)

Receipt Acknowledged:

____
FRB NY

TERMS AND FORM OF THIS LETTER MAY NOT BE ALTERED

Formulas for Calculating the Present Value (Price Plus Accrued Interest) And Yield to Maturity of Treasury Notes Paying Annual Interest 1/

se A: Calculations during an initial "short" interest period for Treasury notes with long coupons

$$(P+A) = \frac{(r''/360)(C)(v) + (C)a_{\overline{n}|} + 100v^{n}}{(1+i)^{f}}$$

and $A = [(r''-r)/360](C)$

se B: Calculations during the first "regular" interest period for Treasury notes with long coupons (for use beginning with the first coupon frequency date 2/)

$$(P+A) = \frac{(r''/360)(C) + C + (C)a_{\overline{n}|} + 100v^{n}}{(1+i)^{f}}$$

and $A = [(r''/360) + (360-r)/360](C)$

e C: Calculations during an initial "short" period for Treasury notes with short first coupons

$$(P+A) = \frac{(r''/360)(C) + (C)a_{\overline{n}|} + 100v^{n}}{(1+i)^{f}}$$

and $A = [(r''-r)/360](C)$

e D: Calculations when the coupon paid on the next coupon frequency date is a regular coupon

$$(P+A) = \frac{C + (C)a_{\overline{n}|} + 100v^{n}}{(1+i)^{f}}$$

and $A = [(360-r)/360](C)$

where:

P = Price in decimals.
A = Accrued interest from original issue date or last interest payment date to valuation date.
r = Days from valuation date to next coupon frequency date calculated on a 360 days per year basis from and including the day following the valuat date up to and including the next coupon frequency date. A full month w be counted as thirty days and a date occurring on the thirty-first calendar day of a month shall be the same as the first calendar day of the following month. If the valuation date falls on a coupon frequency date then r will be defined to be equal to 360.
f = r/360
r" = Days from the original issue date of the security to the first coupon frequency date of the security calculated using the same conventions used in calculating r.
i = Interest rate (yield to maturity), expressed in decimals and based on annual interest payments.
C = Regular annual coupon, payable annually.
n = Number of full annual periods from valuation date to maturity except that if the valuation date occurs on a coupon frequency date n will be one less than the number of full annual periods remaining to maturity.
$v = 1/(1+i)$
$v^n = 1/(1+i)^n$
$a_{\overline{n|}} = (1-v^n)/i = v + v^2 + v^3 + \ldots\ldots\ldots\ldots + v^n$ = present value of 1 per period for n periods.

1/ These formulas are specifically intended only for use with the foreign-targeted notes described in this offering circular.

2/ A coupon frequency date is a coupon payment date except for a note with an initial long coupon in which case there is no payment on the first coupon frequency date.

Note: The day count conventions used for determining short and long coup and accrued interest and for discounting over partial periods for targeted Notes do not conform to regular Treasury practice for domestic securities. The conventions for the targeted Notes assume that each month has thirty days and that a date occurring on the thirty-first calendar day of a month is the same as the first calendar day of the following month. Unlike the convention for corporate bonds in the United States, the last day of February is not defined to be the thirtieth day of the month. Thus, applicati of these rules results in three days between February 28th and Ma 1st and zero days between March 31st and the first of April. Similarly, a strict application of these rules leads to 181 days between September 30th and March 31st.

Formulas for Calculating the Present Value (Price Plus Accrued Interest) And Yield to Maturity of Treasury Notes Paying Semiannual Interest 1/

se A: Calculations during an initial "short" interest period for Treasury notes with long coupons

$$(P+A) = \frac{(r''/s)(C/2)(v) + (C/2)a_{\overline{n}|} + 100v^{n}}{(1+i/2)^{f}}$$

and $A = [(r''-r)/s](C/2)$

se B: Calculations during the first "regular" interest period for Treasury notes with long coupons (for use beginning with the first coupon frequency date 2/)

$$(P+A) = \frac{(r''/s'')(C/2) + (C/2) + (C/2)a_{\overline{n}|} + 100v^{n}}{(1+i/2)^{f}}$$

and $A = [(r''/s'') + (s-r)/s](C/2)$

e C: Calculations during an initial "short" period for Treasury notes with short first coupons

$$(P+A) = \frac{(r''/s)(C/2) + (C/2)a_{\overline{n}|} + 100v^{n}}{(1+i/2)^{f}}$$

and $A = [(r''-r)/s](C/2)$

e D: Calculations when the coupon paid on the next coupon frequency date is a regular coupon

$$(P+A) = \frac{C/2 + (C/2)a_{\overline{n}|} + 100v^{n}}{(1+i/2)^{f}}$$

and $A = [(s-r)/s](C/2)$

where:

- P = Price in decimals.
- A = Accrued interest from original issue date or last interest payment date to valuation date.
- r = Exact number of days from valuation date to next coupon frequency date.
- r" = Exact number of days from the original issue date to the first coupon frequency date.
- f = r'/180 where r' is the number of days from the valuation date to the next coupon frequency date calculated on a 360 days per year basis from and including the day following the valuation date up to and including the next coupon frequency date. A full month will be counted as thirty days and a date occurring on the thirty-first calendar day of a month shall be the same as the first calendar day of the following month. If the valuation date falls on a coupon frequency date then f will be defined to be equal to one.
- s = Exact number of days in the current semiannual period. On a coupon frequency date s is the exact number of days to the next coupon frequency date.
- s" = Exact number of days in the semiannual period containing the issue date.
- i = Interest rate (yield to maturity), expressed in decimals and based on semiannual interest payments.
- C = Regular annual coupon, payable semiannually.
- n = Number of full semiannual periods from valuation date to maturity except that if the valuation date occurs on a coupon frequency date n will be one less than the number of full semiannual periods remaining to maturity.
- $v = 1/(1+i/2)$
- $v^n = 1/(1+i/2)^n$
- $a_{\overline{n|}} = (1-v^n)/(i/2) = v + v^2 + v^3 + \ldots\ldots\ldots\ldots + v^n$ = present value of 1 per period for n periods.

1/ These formulas will only be used for making calculations involved in exchanging targeted registered issues for companion regular Treasury issues.

2/ A coupon frequency date is a coupon payment date except for a note with an initial long coupon in which case there is no payment on the first coupon frequency date.

Note: The day count conventions used for pricing domestic Treasury notes in making exchange calculations do not conform to regular Treasury practice for domestic securities. The conventions assume that each month has thirty days and that a date occurring on the thirty-first calendar day of a month is the same as the first calendar day of the following month. Unlike the convention for corporate bonds in the United States, the last day of February is not defined to be the thirtieth day of the month. Thus, application of these rules results in three days between February 28th and March 1st and zero days between March 31st and the first of April. Similarly, a strict application of these rules leads to 181 days between September 30th and March 31st (but note the definition of f above).

SAMPLE EXCHANGE VALUES FOR A HYPOTHETICAL 5-YEAR NOTE DATED 12/ 3/1984 AND MATURING 2/15/1990

DATES OF EXCHANGE	11.375% ANNUAL COUPON @ 11.45% ANN	11.375% SEMIANNUAL COUPON @ 11.14% S/A	ACCRUED INTEREST	EXCHANGE ADJUSTMENT	NET ADJUSTMENT (TO TREASURY) TO INVESTOR
1/14/85	P= 99.526134	P=100.793646			
	A= 1.295486	A= 1.298234			
	P+A=100.821620	P+A=102.091880	(.002748)	(1.267512)	(1.270260)
2/15/85	P= 99.492191	P=100.762021			
	A= 2.275000	A= 2.287364			
	P+A=101.767191	P+A=103.049385	(.012364)	(1.269830)	(1.282194)
2/28/85	P= 99.480592	P=100.757728			
	A= 2.685764	A= 2.695859			
	P+A=102.166356	P+A=103.453587	(.010095)	(1.277136)	(1.287231)
8/15/85	P= 99.473004	P=100.814372			
	A= 7.962500	A= .000000			
	P+A=107.435504	P+A=100.814372	7.962500	(1.341368)	6.621132
12/31/85	P= 99.666960	P=100.763227			
	A= 12.259722	A= 4.265625			
	P+A=111.926682	P+A=105.028852	7.994097	(1.096267)	6.897830
10/15/87	P= 99.715801	P=100.447621			
	A= 7.583333	A= 1.885530			
	P+A=107.299134	P+A=102.333151	5.697803	(.731820)	4.965983
8/31/88	P= 99.751255	P=100.306535			
	A= 6.193056	A= .494565			
	P+A=105.944311	P+A=100.801100	5.698491	(.555280)	5.143211

FIGURES MERELY ILLUSTRATE EXCHANGE VALUE COMPUTATIONS AND ARE NOT INTENDED TO APPLY TO THE NOTES OFFERED IN THIS CIRCULAR.

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 12:00 NOON November 16, 1984

TREASURY'S 52-WEEK BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for approximately $8,500 million of 365-day Treasury bills to be dated November 29, 1984, and to mature November 29, 1985 (CUSIP No. 912794 HP 2). This issue will provide about $500 million new cash for the Treasury, as the maturing 52-week bill was originally issued in the amount of $8,006 million.

The bills will be issued for cash and in exchange for Treasury bills maturing November 29, 1984. In addition to the maturing 52-week bills, there are $12,935 million of maturing bills which were originally issued as 13-week and 26-week bills. The disposition of this latter amount will be announced next week. Federal Reserve Banks as agents for foreign and international monetary authorities currently hold $1,688 million, and Federal Reserve Banks for their own account hold $4,230 million of the maturing bills. These amounts represent the combined holdings of such accounts for the three issues of maturing bills. Tenders from Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rate of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $210 million of the original 52-week issue.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. This series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239, prior to 1:00 p.m., Eastern Standard time, Tuesday, November 27, 1984. Form PD 4632-1 should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

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Each tender must state the par amount of bills bid for, which must be a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m. Eastern time on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves

the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for $1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on November 29, 1984, in cash or other immediately-available funds or in Treasury bills maturing November 29, 1984. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE November 19, 1984

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $6,805 million of 13-week bills and for $6,804 million of 26-week bills, both to be issued on November 23, 1984, were accepted today.

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing February 21, 1985			:	26-week bills maturing May 23, 1985		
	Discount Rate	Investment Rate 1/	Price	:	Discount Rate	Investment Rate 1/	Price
Low	8.53%	8.83%	97.868	:	8.76%	9.29%	95.596
High	8.63%	8.94%	97.843	:	8.81%	9.35%	95.571
Average	8.59%	8.90%	97.853	:	8.79%	9.32%	95.581

Tenders at the high discount rate for the 13-week bills were allotted 66%.
Tenders at the high discount rate for the 26-week bills were allotted 77%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted	:	Received	Accepted
Boston	$ 391,875	$ 156,375	:	$ 382,420	$ 31,420
New York	12,182,260	5,190,760	:	13,778,470	4,600,220
Philadelphia	14,260	14,260	:	12,190	12,190
Cleveland	80,605	80,605	:	21,165	21,165
Richmond	54,250	47,890	:	67,970	41,820
Atlanta	58,180	58,180	:	77,605	76,455
Chicago	856,540	289,570	:	1,537,095	1,026,795
St. Louis	20,700	20,700	:	43,410	31,110
Minneapolis	27,700	27,700	:	30,155	30,155
Kansas City	45,675	45,675	:	50,135	50,135
Dallas	36,925	36,925	:	20,135	20,135
San Francisco	651,225	540,225	:	822,950	495,200
Treasury	296,180	296,180	:	367,110	367,110
TOTALS	$14,716,375	$6,805,045	:	$17,210,810	$6,803,910
Type					
Competitive	$12,295,540	$4,384,210	:	$14,504,330	$4,097,430
Noncompetitive	989,425	989,425	:	843,480	843,480
Subtotal, Public	$13,284,965	$5,373,635	:	$15,347,810	$4,940,910
Federal Reserve	1,197,910	1,197,910	:	1,100,000	1,100,000
Foreign Official Institutions	233,500	233,500	:	763,000	763,000
TOTALS	$14,716,375	$6,805,045	:	$17,210,810	$6,803,910

1/ Equivalent coupon-issue yield.

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TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 4:00 P.M. November 20, 1984

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $13,600 million, to be issued November 29, 1984. This offering will provide about $675 million of new cash for the Treasury, as the maturing bills were originally issued in the amount of $12,935 million. The two series offered are as follows:

91-day bills (to maturity date) for approximately $6,800 million, representing an additional amount of bills dated August 30, 1984, and to mature February 28, 1985 (CUSIP No. 912794 GU 2), currently outstanding in the amount of $6,642 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $6,800 million, to be dated November 29, 1984, and to mature May 30, 1985 (CUSIP No. 912794 HE 7).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing November 29, 1984. In addition to the maturing 13-week and 26-week bills, there are $8,006 million of maturing 52-week bills. The disposition of this latter amount was announced last week. Federal Reserve Banks, as agents for foreign and international monetary authorities, currently hold $1,635 million, and Federal Reserve Banks for their own account hold $4,265 million of the maturing bills. These amounts represent the combined holdings of such accounts for the three issues of maturing bills.

Tenders from Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rates of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $1,425 million of the original 13-week and 26-week issues.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

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Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239, prior to 1:00 p.m., Eastern Standard time, Monday, November 26, 1984. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must state the par amount of bills bid for, which must be a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m. Eastern time on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions as well as holdings of outstanding bills with the same maturity date as the new offering, e.g., bills with three months to maturity previously offered as six-month bills. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit

of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids for the respective issues. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on November 29, 1984, in cash or other immediately-available funds or in Treasury bills maturing November 29, 1984. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE

November 26, 1984

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $ 6,805 million of 13-week bills and for $ 6,802 million of 26-week bills, both to be issued on November 29, 1984, were accepted today.

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing February 28, 1985			:	26-week bills maturing May 30, 1985		
	Discount Rate	Investment Rate 1/	Price	:	Discount Rate	Investment Rate 1/	Price
Low	8.40%	8.70%	97.877	:	8.47%	8.97%	95.718
High	8.44%	8.74%	97.867	:	8.52%	9.03%	95.693
Average	8.43%	8.73%	97.869	:	8.50%	9.00%	95.703

Tenders at the high discount rate for the 13-week bills were allotted 58%
Tenders at the high discount rate for the 26-week bills were allotted 30%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted	:	Received	Accepted
Boston	$ 390,645	$ 40,645	:	$ 378,450	$ 28,450
New York	14,093,110	4,040,220	:	15,133,305	5,283,100
Philadelphia	28,130	28,130	:	12,540	12,540
Cleveland	39,280	39,230	:	34,660	34,660
Richmond	38,215	38,215	:	48,365	48,365
Atlanta	51,975	46,345	:	39,380	39,380
Chicago	1,117,735	95,635	:	1,325,155	545,655
St. Louis	42,970	22,970	:	48,190	48,190
Minneapolis	39,295	37,295	:	35,530	35,530
Kansas City	49,120	45,440	:	46,465	46,465
Dallas	47,800	35,700	:	28,695	28,695
San Francisco	2,972,440	2,069,625	:	1,307,525	377,525
Treasury	265,335	265,335	:	273,900	273,900
TOTALS	$19,176,050	$6,804,785	:	$18,712,160	$6,802,455
Type					
Competitive	$16,407,325	$4,036,060	:	$16,057,890	$4,148,185
Noncompetitive	1,007,240	1,007,240	:	731,970	731,970
Subtotal, Public	$17,414,565	$5,043,300	:	$16,789,860	$4,880,155
Federal Reserve	1,323,285	1,323,285	:	1,300,000	1,300,000
Foreign Official Institutions	438,200	438,200	:	622,300	622,300
TOTALS	$19,176,050	$6,804,785	:	$18,712,160	$6,802,455

1/ Equivalent coupon-issue yield.

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TREASURY NEWS
partment of the Treasury • Washington, D.C. • Telephone 566-2041

REMARKS BY BERYL W. SPRINKEL
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS
BEFORE
KINYU ZAISEI JIJO KENKYU-KAI
(INSTITUTE FOR FINANCIAL AFFAIRS, INC.)

TOKYO, JAPAN

November 16, 1984

It is an honor and a pleasure to be here before this distinguished group to discuss the liberalization of Japan's capital markets and the internationalization of the yen.

My trip to Tokyo this week commemorates an important stage in the evolution of these issues. At this time last year, Prime Minister Nakasone and President Reagan announced their mutual commitment to the development of more open capital markets and to allow the yen to more fully reflect Japan's underlying economic strength. It was to fulfill this mandate that Finance Minister Takeshita and Treasury Secretary Regan asked Vice Minister Oba and me to co-chair the Working Group which produced the "Report on Yen/Dollar Exchange Rate Issues.

In my view, this report created the basis for a fundamental change in Japan's financial system. To a much greater extent than ever before, investors and borrowers will base their decisions on market forces, rather than government directive. This will have important consequences for Japan's capital markets and Japan's role in the international financial system. However, the full extent of these changes will depend significantly on the response of economic and financial leaders such as yourselves. Therefore, I am particularly pleased to have an opportunity to share with you my thoughts on these matters.

Let me begin by explaining why the United States is so interested in Japan's financial policies. An important incentive to discuss these matters was our concern about the yen/dollar exchange rate. The Reagan Administration has long been concerned about the rate. We knew that the Japanese authorities were not

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directly depressing the value of their currency. Nevertheless, it was clear that the yen did not reflect the underlying strength of the Japanese economy.

I know you are aware of Japan's enormous economic growth during the last four decades: you are responsible for making Japan the second largest Western economy.

However, the yen has not assumed similar importance in international transactions. Last year, for example, only about 3 1/2 percent of the world's official reserves were held in yen. In addition, only a small percentage of Japan's trade is denominated in yen. Not only the U.S. but other European countries, use their own currencies much more heavily in their international trade. In addition, the Euroyen bond market is still very small. Only a handful of Euroyen bond issues is made each year, while the Eurobond markets in other major currencies are enormous.

We concluded that Japan's financial policies were an important factor in preventing the yen from becoming a strong international currency.

Japan's domestic capital market has been highly regulated over the years in terms of interest rates, the activities of financial institutions, access to the Japanese market, and international use of the yen. Because of these and other limitations potential investors have not had access to the broad range of attractive assets which is available in other currencies. As a result, there has been little incentive for foreigners to hold assets in yen and relatively little demand for yen. This is an important factor in the yen's weakness.

We are also concerned about the broader impact of Japan's policies on the international economic system. My long study of markets has led me to conclude that allowing supply and demand to determine prices is generally the most effective way to ensure that resources are allocated most efficiently.

If interest rates are not permitted to move freely, or if capital controls are imposed, funds will not be allocated in the most efficient manner. This is not simply a matter of concern for the domestic authorities. In today's interdependent world, the policies of one government are quickly transmitted to the rest of the world, affecting the allocation of resources worldwide.

<u>Yen/Dollar Report</u>

As we examined these problems more closely, we identified three areas where we thought Japanese policy changes were essential: liberalization of Japan's domestic capital market; development of a free Euroyen market; and freer access to the

Japanese market for foreign financial institutions. The Yen/Dollar Report contained agreement on major steps in all three areas.

One of our primary concerns has been the liberalization of the domestic capital market. We believe it is important to increase the depth and breadth of the market for yen assets for residents and nonresidents In addition, we hope to improve the efficiency of resource allocation in Japan and the rest of the world

We also attach great importance to development of a Euroyen market, since it offers the most direct way of establishing a market governed by forces of supply and demand that will provide foreign investors with attractive assets in yen. In the Yen/Dollar Report, the Ministry of Finance announced the basic commitments and decisions necessary to allow for the development of Euroyen bonds where non-Japanese can freely invest or borrow

Another important aspect of the development of a Euroyen market is the development of a Euroyen banking market. Two major steps are being taken toward this end. First, on the funding side, foreign and Japanese banks will be authorized to issue short-term negotiable Euroyen certificates of deposit from their offices outside of Japan. On the lending side, Japanese and non-Japanese banks are free to extend Euroyen loans to non-residents. We believe that there is considerable potential under these new policies for the development of a major Euroyen banking market.

The final section of the Report is intended to improve the access of foreign financial institutions to the Japanese market. This is important for two reasons. First, greater access for foreign firms will help ensure that foreign investors have access to Japanese assets; this will further our goal of increasing the international use of the yen. It is also consistent with the principle of "national treatment," to which both the United States and Japan are committed.

In our view, an important means of improving the access of foreign firms to the Japanese market is to increase the "transparency" of Ministry of Finance regulatory policies. Previously, the Ministry's system of informal guidance created great uncertainty for foreign firms and sometimes appeared to discriminate against them.

Impact on the U.S.-Japan Relationship

You may wonder what all of these measures mean for the United States relationship with Japan. In my view, one immediate effect has been to enhance greatly the understanding between our two countries. The negotiations leading up to the Yen/Dollar

Report were not easy. To us, Japan's system of rules, regulations and official "guidance" seemed extremely complex and opaque. We had a long educational process, as did our colleagues in the Ministry of Finance. However, after six strenuous meetings, we came to an understanding on most issues, demonstrating our ability to find mutually acceptable approaches to some very complex problems.

More importantly, I think our agreement will yield important benefits for the United States and Japan, which will help keep our relationship strong. First, it is no secret that both countries are wrestling with the political implications of the United States' large trade deficit with Japan. In the United States, there are worries about its impact on income and employment, while Japan is concerned about calls for greater trade protection.

Specifically, we expect that over time the policy changes outlined in the Report will have important consequences for the yen/dollar exchange rate. With the development of a freely operating Euroyen market and the deregulation of domestic interest rates, investors will have access to a wide range of attractive assets in yen. This should fundamentally alter the underlying demand for the yen, leading to its appreciation against other currencies, including the dollar.

We recognize, of course, that there are so many other factors influencing exchange rates that it may be difficult to discern the separate effects of the Agreement, in the short-run. We will also have to wait to see how the markets react as the new opportunities become available. We are convinced, however, that permitting market forces to assume a greater role in determining the value of the yen will help the yen strengthen to a level which is more in line with the underlying strength of the Japanese economy.

A strong yen would have important benefits for the United States in the form of higher sales and employment in export and import-competing industries. However, the Agreement also contains important benefits to Japan. First, the measures it contains will help bring about greater efficiency in the Japanese capital market. The deregulation of domestic interest rates will help ensure that within Japan, domestic savings are invested where they will earn the highest rates of return, thereby maximizing the marginal productivity of capital. Deregulation will also provide Japanese citizens with market rates of interest on their savings. Opening the Japanese market to foreign financial institutions will generate healthy competition in the provision of financial services in Japan, promoting its low-cost services for Japanese borrowers and investors.

International Implications of the Agreement

The Yen/Dollar Agreement also has significant international implications which work to the advantage of Japan, the United States and the rest of the world. Japan's decision to increase the international role of the yen and open its domestic financial markets is a tangible indication of its desire to assume the international financial responsibilities befitting a major economic power.

In addition, Japan's liberalization efforts should contribute significantly to the efficiency of global resource allocation and increased economic welfare worldwide. There will be greater scope for foreign entities to tap the considerable level of domestic Japanese savings. This will provide new sources of investment capital and reduce pressure on other markets.

Where Do We Stand

I would like to bring you up-to-date on developments since our May agreement. Ministry of Finance commitments have -- to date -- all been implemented on schedule. For example, developments in the swap and forward foreign exchange markets have been encouraging. We are very pleased about how these markets have expanded in the absence of governmental controls and regulations. But as I said in yesterday's press conference much more in the way of policy change needs to be done.

We have just completed two days of "follow-up" talks on last May's agreement. The Ministry of Finance and my Treasury team had long, detailed talks on these very complex issues. These frank discussions have cleared up some problems but have also shown where much further progress is needed.

We are very pleased with the Ministry's implementation of policy changes in some areas of our agreement. But frankly, in some other areas much more needs to be done to fully put into effect the broad range of agreements we reached last May. We still foresee problems in the following areas:

-- licensing requirements for Euro-yen bonds and CDs

-- eligibility standards for yen bond issues

-- syndicated Euroyen lending

-- domestic interest rate deregulation

-- new financial market instruments

-- BA market development

-- dealing in government securities

-- overseas yen lending from Japan

-- trust banking

-- financial accounts held abroad by residents.

In some cases our concerns center on eligibility requirements, re-institution of guidance or regulations, or transparency of procedures. In other areas we believe the spirit of our Agreement is not being fulfilled.

We see an important opportunity for establishing new markets free of control and yet we fear that the cautious, step-by-step approach of the Ministry will miss this very important opportunity to move ahead boldly.

Conclusion

I know that you are a very key group of individuals in this process. Your support will be critical to the full implementation of our Agreement. I would urge you to be very active in urging the Ministry to move ahead quickly. We face great opportunity and challenge. With your clear support for change and new freedom from control we will all gain from future policy changes.

You can help lead Japan into a new era of openness and market freedom. My counsel is clear. Let's accept the challenge and move ahead dramatically.

Thank you, I would welcome your questions and comments.

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

November 19, 1984

BIOGRAPHICAL NOTES

R. T. MCNAMAR

DEPUTY SECRETARY OF THE TREASURY

R. T. McNamar was nominated to be the Deputy Secretary of the Treasury by President Ronald Reagan on January 23, 1981. At the time of his nomination he was 41 years old, making him the youngest Deputy Secretary in Treasury's history. His background includes a wide range of experience gained from executive positions in both private industry and government.

As Deputy Secretary of the Treasury, Mr. McNamar has been in the forefront of domestic and international economic policy formulation. He has taken a lead role in working with foreign government and private banks to formulate actions to deal with the international debt situation and has been active in efforts to modernize the worldwide monetary system, through steps such as strengthening the International Monetary Fund, improving World Bank policies, and internationalization of the Japanese yen. On the domestic side, he is currently involved in the Administration's program to reduce taxes and build long-term economic growth.

Mr. McNamar has authored several articles, lectured, and testified on exchange rate topics including the underlying rationale for the dollar's recent strength. He is also regarded as an authority on the world oil situation and has authored and spoken on this topic extensively as well.

Before joining the Reagan Administration, he was Executive Vice President and Chief Financial Officer of the Beneficial Standard Corporation, a diversified financial services holding company in Los Angeles.

Prior to joining Beneficial Standard, Mr. McNamar served as Executive Director of the Federal Trade Commission from November 1973 to March 1977, during which time he handled a wide variety of energy, antitrust, and financial reporting policy issues, as well as introducing program evaluation concepts into the Commission and developing its first program budget.

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During Phase II of the Economic Stabilization Program, he was Director of the Office of Case Management and Analysis for the Pay Board. He also served as a management consultant to the Cost of Living Council, White House, and Federal Energy Office.

From October 1966 until January 1972, Mr. McNamar worked as a management consultant with McKinsey & Company, Inc., in San Francisco, New York and Amsterdam. He worked in the Comptroller's Office of Standard Oil Company of California for one year after graduation from business school.

He was born April 21, 1939, in Olney, Illinois, and was raised in Tulsa, Oklahoma. He received an A. B. degree from Villanova University in 1961, a J.D. degree from the University of Michigan Law School in 1963, and an M.B.A. degree from the Amos Tuck School of Business Administration at Dartmouth College in 1965. He is a member of the California and American Bar Associations and the Financial Executive Institute.

He has two children: a son, Brendan, 16, and a daughter, Lindsay, 14.

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TREASURY NEWS
partment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE November 21, 1984

RESULTS OF AUCTION OF 2-YEAR NOTES

The Department of the Treasury has accepted $9,013 million of $25,900 million of tenders received from the public for the 2-year notes, Series AB-1986, auctioned today. The notes will be issued November 30, 1984, and mature November 30, 1986.

The interest rate on the notes will be 10-3/8%. The range of accepted competitive bids, and the corresponding prices at the 10-3/8% interest rate are as follows:

	Yield	Price
Low	10.45%	99.868
High	10.48%	99.815
Average	10.47%	99.832

Tenders at the high yield were allotted 65%.

TENDERS RECEIVED AND ACCEPTED (In Thousands)

Location	Received	Accepted
Boston	$ 380,225	$ 59,975
New York	22,291,325	7,620,870
Philadelphia	32,095	32,095
Cleveland	277,995	245,945
Richmond	87,165	51,415
Atlanta	97,905	67,905
Chicago	1,367,905	303,305
St. Louis	181,010	141,010
Minneapolis	52,390	48,890
Kansas City	140,845	133,845
Dallas	49,235	22,485
San Francisco	933,380	276,610
Treasury	8,275	8,275
Totals	$25,899,750	$9,012,625

The $9,013 million of accepted tenders includes $1,046 million of noncompetitive tenders and $7,967 million of competitive tenders from the public.

In addition to the $9,013 million of tenders accepted in the auction process, $380 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $548 million of tenders was also accepted at the average price from Government accounts and Federal Reserve Banks for their own account in exchange for maturing securities.

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TREASURY NEWS
partment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 12:00 NOON   November 23, 1984

TREASURY OFFERS $10,000 MILLION OF CASH MANAGEMENT BILLS

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $10,000 million, to be issued December 3, 1984, as follows:

17-day bills (to maturity date) for approximately $5,000 million, representing an additional amount of bills dated June 21, 1984, and to mature December 20, 1984 (CUSIP No. 912794 GF 5), and

45-day bills (to maturity date) for approximately $5,000 million, representing an additional amount of bills dated July 19, 1984, and to mature January 17, 1985 (CUSIP No. 912794 GQ 1).

Competitive tenders will be received at all Federal Reserve Banks and Branches prior to 1:00 p.m., Eastern Standard time, Thursday, November 29, 1984. Wire and telephone tenders may be received at the discretion of each Federal Reserve Bank or Branch. Each tender for the issue must be for a minimum amount of $1,000,000. Tenders over $1,000,000 must be in multiples of $1,000,000. Tenders must show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions must not be used.

Noncompetitive tenders from the public will not be accepted. Tenders will not be received at the Department of the Treasury, Washington.

The bills will be issued on a discount basis under competitive bidding, and at maturity their par amount will be payable without interest. The bills will be issued entirely in book-entry form in a minimum denomination of $10,000 and in any higher $5,000 multiple, on the records of the Federal Reserve Banks and Branches. Additional amounts of the bills may be issued to Federal Reserve Banks as agents for foreign and international monetary authorities at the average price of accepted competitive tenders.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m., Eastern time, on the day of the auction. Such positions would include bills acquired through "when issued" trading, futures,

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and forward transactions as well as holdings of outstanding bills with the same maturity date as the new offering, e. g., bills with three months to maturity previously offered as six-month bills. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank or Branch in cash or other immediately-available funds on Monday, December 3, 1984. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, and this notice, prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars may be obtained from any Federal Reserve Bank or Branch.

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
November 27, 1984

SECRETARY REGAN STATEMENT AT TREASURY

As you know, this morning I presented to the President, the Cabinet, and to leading members of Congress, Treasury's proposal for making our tax system simpler, fairer and more economically efficient. The President requested us to do this in his State of the Union message last January.

As a result of our own experience at Treasury and the IRS, as well as the public hearings that were held earlier this year, there can be no question in anyone's mind that the present tax system in the U.S. is too complicated.

It's unfair, and it retards saving and investment and economic growth. It must be changed.

At the outset let me underscore that our proposals will result in the same amount of revenues as the current tax system, but with lower rates imposed on a broader tax base. It is not, I repeat not, a tax increase in disguise.

The first mandate from the President was to simplify the tax system. What we have done by our changes is to offer more taxpayers the opportunity to use the simpler forms. And even if form 1040 itself is used, taxpayers will find it simpler and more comprehensible -- about 20% of the lines will be removed, the accompanying schedules will be greatly simplified, and 14 of them will be eliminated altogether. About 280 million hours are now spent by Americans in preparing their returns. Our plan will cut this by almost one third.

Most promising of all in our simplified tax system is that we are developing the expertise in the IRS, by using modern computers, so that in a few years approximately two out of three American taxpayers will be able to have their returns automatically prepared for them by the IRS. They will not have to spend their own time, or energy, or pay others to prepare their tax returns.

Our other mandates were to develop a tax system that was fairer and more economically efficient. We do this by eliminating many of the deductions, special credits and loopholes that relatively few taxpayers have used so that all Americans can benefit from substantially lower rates.

For individuals, we have proposed a simple 3 bracket system, replacing the current 14 steps, with rates set at 15-25-35%. Marginal tax rates would be reduced by an average of 20%. Individual tax liabilities will be reduced by an average of 8.5%.

We have proposed doubling the personal exemption to $2,000 for taxpayers, their spouses, and dependents.

We have proposed increasing the zero bracket amount (formerly known as the standard deduction) to $2,800 for single returns and $3,800 for joint returns.

By these measures we exempt from taxation families with incomes below the poverty level. Tax liabilities of families in the lowest income class will be cut by almost a third.

We recommend retaining indexing so that the American taxpayers can be protected against the hidden taxes of inflation.

We have sought to see to it that all families with a given income should pay approximately the same amount of tax.

For business we are recommending a reduction of the corporate tax rate to 33% from the current 46%.

We have also recommended a number of other changes in the corporate tax system to see that one industry is not favored over another, yet keeping incentives so that business will be able to contribute to the economy in the fullest measure possible.

Our plan will substantially curtail tax shelters, and we think our recommendations will go a long way to assure the average American that the other person is being taxed on the same basis as he or she is.

Now let me just touch on a few points of great interest.

The home mortgage interest deduction is retained for principal residences. And all other personal interest deductions are retained but limited to $5,000 in excess of investment income.

We retain the deduction for medical expenses, casualty losses, social security exclusions, earned income credit and corporate pensions.

We have retained the charitable contribution deduction when contributions are in excess of 2% of Adjusted Gross Income.

We have folded the extra exemption for the elderly and the blind, as well as workers compensation, into a new credit for the elderly, blind and disabled. Under our plan we project that they will be better off than under the current law.

We have retained the Individual Retirement Account and increased it to $2,500 per worker including homemaker spouses. This will allow a married couple to put aside $5,000 per year in an IRA. At today's interest rates a couple taking maximum advantage of the new rules will, in 15 years, have an additional $100,000 accumulated for things like college tuition, retirement, etc.

Let me conclude by saying that as a result of my own experience in the private sector, and at Treasury, and after carefully studying the responses of American taxpayers of all types at our eight public hearings earlier in the year, I am convinced that there is broad and growing support for fundamental tax simplification and reform. I'm also convinced this support transcends all economic and political boundaries. There is a belief that our tax system is inherently unfair, unintelligible and increasingly unworkable.

Now let me warn you that the first reactions will be from all those special interest groups who will be scrambling to protect their special tax breaks. They will focus on this recommendation or that, and they will make it sound like calamity lies just ahead if this plan goes forward. So let me point out to all Americans there is only one way to understand what Treasury's plan is all about -- and that's to look at it in its entirety -- to consider it on an overall basis, to see what it does for the vast majority of taxpayers. The only way we could get individual and corporate rates substantially down for all, was to take away the loopholes, deductions and special credits that now belong to the few. That's the only path to real tax simplification and reform.

We believe that our proposals are fair in that they treat everyone alike. They're fair in that they will help the poor, the disadvantaged, and the middle class. They're fair in that they tell all Americans, rich and poor alike, that by their efforts -- be it hard work, creativity or innovation -- they can make more money and keep most of it. And the same holds true for businesses and industries that are successful without the benefit of special tax breaks.

Under our proposal, more motivation will be provided for all American workers, savers, and investors. The economy should grow somewhat faster than under current law, which will create more jobs and a sustained, non-inflationary expansion.

I believe tax simplification and reform is an idea whose time has come, and we look forward to working with members of the Congress in a bipartisan effort to see that the United States has a tax system that is equitable, comprehensible and promotes economic growth.

TREASURY NEWS
partment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 4:00 P.M.

November 27, 1984

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $13,600 million, to be issued December 6, 1984. This offering will provide about $500 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of $13,095 million, including $865 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities and $3,231 million currently held by Federal Reserve Banks for their own account. The two series offered are as follows:

91-day bills (to maturity date) for approximately $6,800 million, representing an additional amount of bills dated September 6, 1984, and to mature March 7, 1985 (CUSIP No. 912794 GV 0), currently outstanding in the amount of $6,637 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $6,800 million, to be dated December 6, 1984, and to mature June 6, 1985 (CUSIP No. 912794 HF 4).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing December 6, 1984. Tenders from Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rates of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

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Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239, prior to 1:00 p.m., Eastern Standard time, Monday, December 3, 1984. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must state the par amount of bills bid for, which must be a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m. Eastern time on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions as well as holdings of outstanding bills with the same maturity date as the new offering, e.g., bills with three months to maturity previously offered as six-month bills. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment wil be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit

of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids for the respective issues. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on December 6, 1984, in cash or other immediately-available funds or in Treasury bills maturing December 6, 1984. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE November 27, 1984

RESULTS OF TREASURY'S 52-WEEK BILL AUCTION

Tenders for $8,525 million of 52-week bills to be issued November 29, 1984, and to mature November 29, 1985, were accepted today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate (Equivalent Coupon-Issue Yield)	Price
Low -	8.71%	9.46%	91.169
High -	8.74%	9.50%	91.139
Average -	8.74%	9.50%	91.139

Tenders at the high discount rate were allotted 85%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted
Boston	$ 406,565	$ 58,490
New York	18,500,935	7,416,535
Philadelphia	5,330	5,330
Cleveland	11,325	11,325
Richmond	48,220	29,620
Atlanta	39,030	34,030
Chicago	1,348,430	358,605
St. Louis	43,500	37,500
Minneapolis	7,700	7,700
Kansas City	36,630	34,630
Dallas	11,255	10,955
San Francisco	993,570	454,045
Treasury	66,020	66,020
TOTALS	$21,518,510	$8,524,785
Type		
Competitive	$19,408,000	$6,414,275
Noncompetitive	350,510	350,510
Subtotal, Public	$19,758,510	$6,764,785
Federal Reserve	1,700,000	1,700,000
Foreign Official Institutions	60,000	60,000
TOTALS	$21,518,510	$8,524,785

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TREASURY NEWS

partment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE November 28, 1984

RESULTS OF AUCTION OF 5-YEAR 2-MONTH DOMESTIC NOTES

The Department of the Treasury has accepted $ 6,757 million of $18,977 million of tenders received from the public for the 5-year 2-month notes, Series G-1990, auctioned today. The notes will be issued December 3, 1984, and mature February 15, 1990.

The interest rate on the notes will be 11% 1/. The range of accepted competitive bids, and the corresponding prices at the 11% interest rate are as follows:

	Yield	Price
Low	11.00%	99.887
High	11.03%	99.770
Average	11.02%	99.809

Tenders at the high yield were allotted 63%.

TENDERS RECEIVED AND ACCEPTED (In Thousands)

Location	Received	Accepted
Boston	$ 295,401	$ 28,481
New York	15,995,687	6,002,412
Philadelphia	8,609	8,609
Cleveland	219,152	101,902
Richmond	45,642	32,572
Atlanta	74,206	46,991
Chicago	1,354,315	219,382
St. Louis	106,839	89,839
Minneapolis	19,471	14,731
Kansas City	43,232	42,232
Dallas	5,687	3,687
San Francisco	806,996	163,546
Treasury	2,138	2,138
Totals	$18,977,375	$6,756,522

The $6,757 million of accepted tenders includes $479 million of noncompetitive tenders and $6,278 million of competitive tenders from the public.

In addition to the $6,757 million of tenders accepted in the auction process, $170 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities.

1/ This interest rate, payable on an annual basis, will also be applied to the 5-year 2-month foreign-targeted notes auctioned today.

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TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE November 28, 1984

RESULTS OF AUCTION OF 5-YEAR 2-MONTH FOREIGN-TARGETED NOTES

The Department of the Treasury has accepted a total of $1,000,400 thousand of the $2,145,000 thousand of tenders received from eligible bidders for the 5-year 2-month foreign-targeted notes, Series H-1990, auctioned today. The notes will be issued December 3, 1984, and mature February 15, 1990.

The interest rate on the notes will be 11% 1/ per annum, payable annually. The range of accepted competitive bids and the corresponding prices at the 11% interest rate are as follows:

	Yield 2/	Price
Low	11.15%	99.305
High	11.30%	98.739
Average	11.25%	98.927

Tenders at the high yield were allotted 74%.

1/ Established in the auction of the companion domestic issue.
2/ Based on an annual interest payment.

R-2938

federal financing bank NEWS
WASHINGTON, D.C. 20220
Press 566-2041
FFB 566-2468

FOR IMMEDIATE RELEASE November 29, 1984

FEDERAL FINANCING BANK ACTIVITY

Francis X. Cavanaugh, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of October 1984.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $145.0 billion on October 31, 1984, posting an increase of $0.1 billion from the level on September 30, 1984. This $0.1 billion net change was the result of increases in holdings of agency-guaranteed debt and in holdings of agency debt issues of $0.3 billion each and a reduction in holdings of agency assets of $0.5 billion. FFB made 314 disbursements during the month.

Attached to this release are tables presenting FFB October loan activity, new FFB commitments to lend during October and FFB holdings as of October 31, 1984.

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R-2939

OCTOBER 1984 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (other than semi-annual)
ON-BUDGET AGENCY DEBT					
TENNESSEE VALLEY AUTHORITY					
Advance #395	10/1	$ 25,000,000.00	10/8/84	10.745%	
Advance #396	10/8	660,000,000.00	10/15/84	10.665%	
Advance #397	10/8	10,000,000.00	10/18/84	10.665%	
Advance #398	10/10	45,000,000.00	10/22/84	10.605%	
Advance #399	10/15	670,000,000.00	10/22/84	10.405%	
Advance #400	10/15	10,000,000.00	10/25/84	10.405%	
Advance #401	10/22	95,000,000.00	11/1/84	10.045%	
Advance #402	10/22	590,000,000.00	11/7/84	10.045%	
Advance #403	10/29	30,000,000.00	11/12/84	9.815%	
Advance #404	10/31	210,000,000.00	11/12/84	9.665%	
NATIONAL CREDIT UNION ADMINISTRATION					
Central Liquidity Facility					
+Note #260	10/2	400,000.00	11/1/84	10.755%	
+Note #261	10/2	5,000,000.00	1/3/85	10.775%	
+Note #262	10/2	20,000,000.00	1/3/85	10.775%	
+Note #263	10/3	500,000.00	11/2/84	10.795%	
+Note #264	10/4	15,000,000.00	1/7/85	10.725%	
+Note #265	10/5	15,000,000.00	11/5/84	10.695%	
Note #266	10/9	15,000,000.00	1/9/85	10.695%	
Note #267	10/10	15,000,000.00	11/9/84	10.605%	
+Note #268	10/11	25,000,000.00	1/11/85	10.615%	
+Note #269	10/15	15,000,000.00	1/14/85	10.425%	
+Note #270	10/18	25,000,000.00	1/16/85	10.385%	
+Note #271	10/30	7,945,000.00	1/30/85	9.785%	
AGENCY ASSETS					
FARMERS HOME ADMINISTRATION					
Certificates of Beneficial Ownership					
	10/4	260,000,000.00	10/1/94	12.665%	13.066% ann.
	10/4	40,000,000.00	10/1/99	12.615%	13.013% ann.
	10/24	250,000,000.00	10/1/89	11.745%	12.090% ann.
	10/24	50,000,000.00	10/1/99	11.875%	12.228% ann.
GOVERNMENT - GUARANTEED LOANS					
DEPARTMENT OF DEFENSE					
Foreign Military Sales					
Thailand 9	10/2	1,141,526.00	9/15/93	12.695%	
Thailand 10	10/2	3,984,027.74	7/10/94	12.689%	
Thailand 11	10/2	7,774,078.24	9/10/95	12.640%	
Thailand 12	10/2	363,000.00	3/20/96	12.625%	
Botswana 3	10/3	39,240.00	3/10/91	12.515%	
Egypt 6	10/3	3,686,670.73	4/15/14	12.608%	
Philippines 10	10/3	86,590.24	7/15/92	12.135%	
Bolivia 2	10/5	499,800.00	11/12/95	12.695%	
Turkey 13	10/5	1,599,334.01	3/24/12	12.525%	
Israel 16	10/9	7,576,787.08	7/10/14	12.355%	
El Salvador 7	10/10	158,236.87	6/10/96	12.555%	
Jordan 11	10/10	438,953.00	11/15/92	11.095%	
Oman 6	10/10	206,366.50	5/25/91	12.435%	
Pakistan 5	10/10	48,221,000.00	1/15/96	12.484%	
Botswana 3	10/11	118,442.64	3/10/91	12.405%	
Morocco 11	10/11	279,807.40	9/10/95	12.487%	

+rollover

FEDERAL FINANCING BANK

OCTOBER 1984 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (other than semi-annual)
Foregin Military Sales (Cont'd)					
Morocco 12	10/11	$ 5,800.00	9/21/95	12.505%	
Peru 10	10/11	1,512,370.00	4/10/96	12.458%	
Somalia 4	10/11	22,972.62	11/30/12	12.326%	
Spain 4	10/11	40,760.01	4/25/90	12.485%	
Morocco 12	10/12	891,402.00	9/21/95	12.442%	
Egypt 6	10/15	499,769.36	4/15/14	12.335%	
Peru 10	10/15	679,956.00	4/10/96	12.392%	
Bolivia 2	10/16	499,800.00	11/22/95	12.505%	
Egypt 6	10/16	18,120.00	4/15/14	12.395%	
Israel 16	10/17	8,591,732.43	7/10/14	12.275%	
Greece 14	10/18	4,858,245.16	4/30/11	12.245%	
Greece 15	10/18	1,985,642.58	6/15/12	12.405%	
El Salvador 7	10/19	1,446,568.63	6/10/96	12.200%	
Philippines 10	10/19	1,979,795.80	7/15/92	11.680%	
Thailand 11	10/19	1,313,482.77	9/10/95	12.125%	
Somalia 4	10/22	30,283.06	11/30/12	11.895%	
Spain 7	10/22	41,268,000.00	7/15/95	12.055%	
Turkey 17	10/22	6,250.00	11/30/13	12.055%	
Turkey 13	10/24	13,278,309.70	3/24/12	11.815%	
Zaire 4	10/24	250,000.00	9/14/95	11.710%	
Turkey 14	10/25	1,087,452.00	11/30/12	11.765%	
Korea 18	10/26	414,000.00	12/31/95	11.955%	
Bolivia 2	10/29	295,276.00	11/22/95	12.105%	
Greece 14	10/29	404,822.50	4/30/11	11.985%	
Jordan 10	10/29	177,473.00	3/10/92	10.717%	
Jordan 12	10/29	51,974.00	2/5/95	11.755%	
Liberia 10	10/29	148,814.99	5/15/95	12.115%	
Jordan 10	10/30	19,360.93	3/10/92	10.945%	
Peru 10	10/30	24,774.00	4/10/96	11.796%	
Spain 7	10/31	51,306,060.00	7/15/95	11.874%	
Spain 8	10/31	52,040,742.46	3/25/96	11.192%	
DEPARTMENT OF ENERGY					
Geothermal Loan Guarantees					
Niland Geothermal, Inc.	10/16	1,327,000.00	4/1/85	10.970%	10.824% qtr.
NPN Partnership	10/16	3,615,000.00	4/1/85	10.970%	10.824% qtr.
Synthetic Fuels Guarantees - Non-Nuclear Act					
Great Plains					
Gasification Assoc. #123A	10/1	118,000,000.00	1/2/85	11.455%	
#123B	10/1	117,500,000.00	4/1/85	10.865%	
#123C	10/1	10,000,000.00	7/1/85	12.005%	
#123D	10/1	119,500,000.00	10/1/85	12.205%	
#123E	10/1	16,500,000.00	7/1/85	12.005%	
#124	10/15	4,000,000.00	10/1/85	11.995%	
#125	10/29	9,000,000.00	10/1/85	11.195%	
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					
Community Development					
*Baldwin Park, CA	10/1	1,700,000.00	10/1/90	12.512%	12.903% ann.
*Bridgeton, NJ	10/1	300,000.00	10/1/90	12.512%	12.903% ann.
*Lincoln, NE	10/1	225,000.00	10/1/89	12.415%	12.800% ann.
*Prince Georges, MD	10/1	1,800,000.00	10/1/90	12.512%	12.903% ann.
Santa Ana, CA	10/10	1,465,320.00	8/15/86	11.955%	12.312% ann.
Dade County, FL	10/11	254,117.00	7/15/85	11.195%	11.410% ann.
Detroit, MI	10/11	2,577,689.54	9/1/85	11.295%	11.574% ann.
Hammond, IN	10/11	100,000.00	5/1/86	11.815%	12.164% ann.

*maturity extension

FEDERAL FINANCING BANK

OCTOBER 1984 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (other than semi-annual)
Community Development (Cont'd)					
Bell Gardens, CA	10/12	$ 400,000.00	11/1/84	10.485%	
Kenosha, WI	10/12	12,817.80	6/1/85	11.015%	11.145% ann.
Louisville, KY	10/16	800,000.00	2/1/85	10.585%	
Provo, UT	10/16	650,000.00	8/1/85	11.105%	11.334% ann.
Albany, NY	10/24	175,000.00	7/1/03	11.855%	12.206% ann.
St. Petersburg, FL	10/24	30,000.00	12/1/85	10.635%	10.918% ann.
St. Louis, MO	10/26	1,000,000.00	2/15/86	10.775%	11.065% ann.
Sacramento, CA	10/26	33,959.05	2/1/85	9.675%	
Santa Ana, CA	10/26	291,300.00	8/15/86	11.145%	11.456% ann.
Simi Valley, CA	10/26	869,540.62	8/15/85	10.345%	10.548% ann.
Somerville, MA	10/26	175,500.00	5/1/85	10.095%	10.111% ann.
Louisville, KY	10/26	600,000.00	2/1/85	9.675%	
DEPARTMENT OF THE NAVY					
Defense Production Act					
Gila River Indian Community	10/31	168,316.18	10/1/92	11.742%	11.575% qtr.
RURAL ELECTRIFICATION ADMINISTRATION					
Arkansas Electric #142	10/1	2,057,000.00	10/1/86	12.205%	12.024% qtr.
Big Rivers Electric #136	10/1	1,961,000.00	12/31/86	12.265%	12.083% qtr
Big Rivers Electric #179	10/1	24,250,000.00	12/31/86	12.265%	12.083% qtr.
Wolverine Power #274	10/1	19,346,000.00	12/31/86	12.262%	12.080% qtr.
New Hampshire Electric #270	10/1	1,834,000.00	12/31/86	12.265%	12.083% qtr.
N.E. Texas Electric #280	10/1	2,039,000.00	12/31/86	12.262%	12.080% qtr.
Kansas Electric #216	10/1	5,535,000.00	12/31/86	12.265%	12.083% qtr.
Saluda River Electric #271	10/1	9,400,000.00	12/31/86	12.265%	12.083% qtr.
*Big Rivers Electric #179	10/1	9,862,000.00	12/31/84	10.775%	10.634% qtr.
*Arkansas Electric #97	10/1	42,000.00	1/31/85	10.975%	10.900% qtr.
*Arkansas Electric #142	10/1	3,980,000.00	1/31/85	10.975%	10.900% qtr.
*Arkansas Electric #142	10/1	1,722,000.00	1/31/85	10.975%	10.900% qtr.
*Arkansas Electric #221	10/1	11,508,000.00	1/31/85	10.975%	10.900% qtr.
*Tex-La Electric #208	10/1	3,160,000.00	10/1/86	12.205%	12.024% qtr.
*Saluda River Electric #186	10/1	8,892,000.00	10/1/86	12.205%	12.024% qtr.
*Wolverine Power #101	10/1	2,231,000.00	10/1/86	12.205%	12.024% qtr.
*Basin Electric #87	10/1	205,951.46	10/1/86	12.205%	12.024% qtr.
*Allegheny Electric #175	10/1	5,783,000.00	10/1/86	12.205%	12.024% qtr.
*Allegheny Electric #175	10/1	7,269,000.00	10/1/86	12.205%	12.024% qtr.
*Allegheny Electric #175	10/1	6,136,000.00	10/1/86	12.205%	12.024% qtr.
*Allegheny Electric #175	10/1	10,661,000.00	10/1/86	12.205%	12.024% qtr.
*Wabash Valley Power #104	10/1	8,704,000.00	10/1/86	12.205%	12.024% qtr.
*Wabash Valley Power #206	10/1	422,000.00	10/1/86	12.205%	12.024% qtr.
*South Mississippi Electric #171	10/1	12,225,000.00	10/1/86	12.205%	12.024% qtr.
*Deseret G&T #211	10/1	32,490,000.00	10/2/86	12.205%	12.024% qtr.
*Big Rivers Electric #91	10/1	2,758,000.00	12/31/86	12.265%	12.083% qtr.
*Big Rivers Electric #91	10/1	1,091,000.00	12/31/86	12.265%	12.083% qtr.
*North Carolina Electric #185	10/1	26,305,000.00	12/31/86	12.265%	12.083% qtr.
*Southern Illinois Power #38	10/1	3,000,000.00	12/31/86	12.256%	12.074% qtr.
*Basin Electric #87	10/1	835,000.00	9/30/87	12.415%	12.228% qtr.
*San Miguel Electric #110	10/1	5,224,000.00	9/30/87	12.415%	12.228% qtr.
Wabash Valley Power #206	10/3	186,000.00	10/3/86	12.195%	12.015% qtr.
*Dairyland Power #54	10/3	2,000,000.00	10/3/86	12.195%	12.015% qtr.
Arkansas Electric #142	10/4	10,109,000.00	10/6/86	12.195%	12.015% qtr.
Arkansas Electric #271	10/4	7,204,000.00	10/6/86	12.195%	12.015% qtr.
*Hoosier Energy #107	10/9	30,000,000.00	10/9/86	12.065%	11.888% qtr.
*Sunflower Electric #174	10/9	2,000,000.00	10/9/86	12.065%	11.888% qtr.
*Wabash Valley Power #104	10/9	8,809,000.00	10/9/86	12.065%	11.888% qtr.
*Wabash Valley Power #206	10/9	1,511,000.00	10/9/86	12.065%	11.888% qtr.
*Wolverine Power #233	10/9	18,236,000.00	10/9/86	12.065%	11.888% qtr.
*Wolverine Power #234	10/9	26,598,000.00	10/9/86	12.065%	11.888% qtr.
*Wolverine Power #101	10/10	786,000.00	10/10/86	11.995%	11.820% qtr.
*Wolverine Power #107	10/12	3,864,000.00	10/14/86	11.925%	11.752% qtr.
*Basin Electric #137	10/12	25,000,000.00	5/12/87	12.065%	11.888% qtr.

*maturity extension

FEDERAL FINANCING BANK

OCTOBER 1984 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (other than semi-annual)
RURAL ELECTRIFICATION ADMINISTRATION (Cont'd)					
*Brazos Electric #108	10/15	$ 2,626,000.00	10/15/86	11.845%	11.675% qtr.
*Brazos Electric #144	10/15	951,000.00	10/15/86	11.845%	11.675% qtr.
*Central Electric #131	10/15	60,000.00	10/15/86	11.845%	11.675% qtr.
*Oglethorpe Power #74	10/15	12,990,000.00	10/15/86	11.845%	11.675% qtr.
*Oglethorpe Power #150	10/15	16,204,000.00	10/15/86	11.845%	11.675% qtr.
N.E. Texas Electric #280	10/15	310,000.00	12/31/86	11.901%	11.729% qtr.
Deseret G&T #211	10/15	7,210,000.00	10/15/86	11.845%	11.675% qtr.
*Seminole Electric #141	10/16	3,352,000.00	10/16/86	11.905%	11.733% qtr.
New Hampshire Electric #270	10/17	461,000.00	12/31/86	11.955%	11.781% qtr.
*Basin Electric #87	10/19	12,594,216.93	5/19/87	11.795%	11.626% qtr.
*Central Iowa Power #155	10/19	4,000,000.00	12/31/18	12.027%	11.851% qtr.
South Mississippi Electric #90	10/22	537,000.00	12/31/86	11.564%	11.402% qtr.
Central Electric #131	10/22	78,000.00	10/22/86	11.515%	11.354% qtr.
*Basin Electric #137	10/22	20,000,000.00	10/22/86	11.515%	11.354% qtr.
*Seminole Electric #141	10/22	18,172,000.00	10/22/86	11.515%	11.354% qtr.
*Brazos Electric #108	10/22	480,000.00	10/22/86	11.515%	11.354% qtr.
*Brazos Electric #230	10/22	2,333,000.00	10/22/86	11.515%	11.354% qtr.
*Sugar Land Telephone #69	10/22	1,000,000.00	10/22/86	11.515%	11.354% qtr.
*Deseret G&T #211	10/22	13,752,000.00	10/23/86	11.515%	11.354% qtr.
*South Mississippi Electric #3	10/22	120,000.00	12/31/86	11.564%	11.402% qtr.
*Big Rivers Electric #65	10/22	28,000.00	12/31/86	11.585%	11.422% qtr.
*Big Rivers Electric #91	10/22	898,000.00	12/31/86	11.585%	11.422% qtr.
*Big Rivers Electric #136	10/22	193,000.00	12/31/86	11.585%	11.422% qtr.
*Big Rivers Electric #136	10/22	97,000.00	12/31/86	11.585%	11.422% qtr.
*Big Rivers Electric #143	10/22	136,000.00	12/31/86	11.585%	11.422% qtr.
*Big Rivers Electric #143	10/22	618,000.00	12/31/86	11.585%	11.422% qtr.
Big Rivers Electric #179	10/22	17,600,000.00	12/31/84	10.045%	
Washington Electric #269	10/23	2,180,000.00	12/31/86	11.550%	11.388% qtr.
French Broad Electric #245	10/24	151,000.00	10/24/86	11.295%	11.140% qtr.
Sugar Land Telephone #210	10/24	688,000.00	10/24/86	11.295%	11.140% qtr.
Kansas Electric #216	10/25	1,719,000.00	12/31/86	11.315%	11.159% qtr.
Cont. Tele. of Kentucky #254	10/25	2,000,000.00	10/25/86	11.235%	11.082% qtr.
Oglethorpe Power #246	10/25	17,443,000.00	10/25/86	11.235%	11.082% qtr.
*Wabash Valley Power #206	10/25	140,000.00	10/25/86	11.235%	11.082% qtr.
*Basin Electric #131	10/25	23,710,000.00	10/27/86	11.235%	11.082% qtr.
*Wolverine Power #233	10/25	498,000.00	10/27/86	11.235%	11.082% qtr.
North Carolina Electric #268	10/26	7,462,000.00	12/31/86	11.355%	11.198% qtr.
Brazos Electric #230	10/26	271,000.00	10/26/86	11.255%	11.102% qtr.
Old Dominion Electric #267	10/26	1,294,000.00	12/31/86	11.343%	11.187% qtr.
*Basin Electric #137	10/29	20,000,000.00	10/29/86	11.465%	11.305% qtr.
*Colorado Ute Electric #203	10/29	2,019,000.00	10/29/86	11.465%	11.305% qtr.
*North Carolina Electric #185	10/29	7,000,000.00	12/31/86	11.555%	11.393% qtr.
*Ponderosa Telephone #35	10/29	395,000.00	10/29/86	11.465%	11.305% qtr.
New Hampshire Electric #270	10/30	132,000.00	12/31/86	11.525%	11.364% qtr.
Kamo Electric #266	10/31	2,075,000.00	12/31/86	11.322%	11.166% qtr.
Arkansas Electric #142	10/31	1,934,000.00	1/31/85	9.665%	9.613% qtr.
*Allegheny Electric #93	10/31	2,024,000.00	12/31/86	11.310%	11.154% qtr.
SMALL BUSINESS ADMINISTRATION					
State & Local Development Company Debentures					
St. Louis Local Dev. Corp.	10/10	31,000.00	10/1/99	12.488%	
Clark County Dev. Corp.	10/10	36,000.00	10/1/99	12.488%	
Rural Enterprises, Inc.	10/10	39,000.00	10/1/99	12.488%	
S. Cen. Ill. Reg. Plan. Dev. Co.	10/10	46,000.00	10/1/99	12.488%	
Western Virginia Dev. Co.	10/10	63,000.00	10/1/99	12.488%	
Bus. Dev. Corp. of Nebraska	10/10	80,000.00	10/1/99	12.488%	
N.E. Louisiana Ind., Inc.	10/10	84,000.00	10/1/99	12.488%	
Tucson Local Dev. Corp.	10/10	107,000.00	10/1/99	12.488%	
CSRA Local Dev. Corp.	10/10	121,000.00	10/1/99	12.488%	
Ill. Sm. Bus. Growth Corp.	10/10	131,000.00	10/1/99	12.488%	
N.E. Counties of Oklahoma E.D.C.	10/10	137,000.00	10/1/99	12.488%	
Columbus Countywide Dev. Corp.	10/10	139,000.00	10/1/99	12.488%	

*maturity extension

FEDERAL FINANCING BANK

OCTOBER 1984 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (other than semi-annual)
State & Local Development Company Debentures (Cont'd)					
Concord Regional Dev. Corp.	10/10	$ 147,000.00	10/1/99	12.488%	
Clark County Dev. Corp.	10/10	158,000.00	10/1/99	12.488%	
Arvin Development Corp.	10/10	168,000.00	10/1/99	12.488%	
N.W. Arkansas Certified Dev. Co.	10/10	173,000.00	10/1/99	12.488%	
Florida 1st Cap. Fin. Corp., Inc	10/10	288,000.00	10/1/99	12.488%	
C.D.C. of Warren County, Inc.	10/10	294,000.00	10/1/99	12.488%	
Arvin Development Corporation	10/10	369,000.00	10/1/99	12.488%	
East-Central Idaho Dev. Co.	10/10	440,000.00	10/1/99	12.488%	
Dev. Corp. of Middle Georgia	10/10	462,000.00	10/1/99	12.488%	
S.W. Ill. Areawide B.D.F. Corp.	10/10	500,000.00	10/1/99	12.488%	
Nine County Dev., Inc.	10/10	30,000.00	10/1/04	12.462%	
Enterprise Development Corp.	10/10	36,000.00	10/1/04	12.462%	
McPherson County S.B.D. Assoc.	10/10	50,000.00	10/1/04	12.462%	
First District Development Co.	10/10	54,000.00	10/1/04	12.462%	
San Diego County L.D.C.	10/10	54,000.00	10/1/04	12.462%	
Indiana Statewide C.D.C.	10/10	63,000.00	10/1/04	12.462%	
Hamilton County Dev. Co., Inc.	10/10	67,000.00	10/1/04	12.462%	
Sowega Economic Dev. Corp.	10/10	68,000.00	10/1/04	12.462%	
Middle Flint Area Dev. Corp.	10/10	72,000.00	10/1/04	12.462%	
C.D.C. of Butler County, Inc.	10/10	73,000.00	10/1/04	12.462%	
Metro Sm. Business Asst. Corp.	10/10	84,000.00	10/1/04	12.462%	
Dev. Corp. of Middle Georgia	10/10	88,000.00	10/1/04	12.462%	
CSRA Local Development Corp.	10/10	100,000.00	10/1/04	12.462%	
The St. Louis Local Dev. Corp.	10/10	105,000.00	10/1/04	12.462%	
Greater Salt Lake Bus. District	10/10	106,000.00	10/1/04	12.462%	
Northern Hills Comm. Dev., Inc.	10/10	109,000.00	10/1/04	12.462%	
Gr. S.W. Kansas Cert. Dev. Co.	10/10	115,000.00	10/1/04	12.462%	
Long Island Development Corp.	10/10	120,000.00	10/1/04	12.462%	
Birmingham City Wide L.D.C.	10/10	126,000.00	10/1/04	12.462%	
Empire State Cert. Dev. Corp.	10/10	130,000.00	10/1/04	12.462%	
McPherson County Sm. B.D.A.	10/10	135,000.00	10/1/04	12.462%	
San Diego County L.D.C.	10/10	139,000.00	10/1/04	12.462%	
Parkersburg-Wood County A.D.C.	10/10	167,000.00	10/1/04	12.462%	
Houston-Galveston Area L.D.C.	10/10	168,000.00	10/1/04	12.462%	
Wisconsin Bus. Dev. Fin. Corp.	10/10	168,000.00	10/1/04	12.462%	
Long Island Development Corp.	10/10	175,000.00	10/1/04	12.462%	
N. Texas Certified Dev. Corp.	10/10	185,000.00	10/1/04	12.462%	
Ocean State Bus. Dev. Auth., Inc	10/10	193,000.00	10/1/04	12.462%	
Texas Certified Dev. Co., Inc.	10/10	212,000.00	10/1/04	12.462%	
Eau Claire County E.D.C.	10/10	225,000.00	10/1/04	12.462%	
Dallas Sm. Business Corp., Inc.	10/10	226,000.00	10/1/04	12.462%	
Opportunities Minnesota Inc.	10/10	239,000.00	10/1/04	12.462%	
Iowa Business Growth Company	10/10	242,000.00	10/1/04	12.462%	
Wisconsin Bus. Dev. Fin. Corp.	10/10	263,000.00	10/1/04	12.462%	
No. Virginia L.D.C., Inc.	10/10	268,000.00	10/1/04	12.462%	
Rural Missouri, Inc.	10/10	271,000.00	10/1/04	12.462%	
Metroaction	10/10	315,000.00	10/1/04	12.462%	
Long Island Dev. Corp.	10/10	330,000.00	10/1/04	12.462%	
Bay Area Employment Dev.	10/10	354,000.00	10/1/04	12.462%	
Wisconsin Bus. Dev. Fin. Corp.	10/10	357,000.00	10/1/04	12.462%	
The Mid-Atlantic Cert. Dev. Co.	10/10	359,000.00	10/1/04	12.462%	
Louisiana 1st Cert. Dev. Corp.	10/10	364,000.00	10/1/04	12.462%	
Long Island Development Corp.	10/10	374,000.00	10/1/04	12.462%	
CANDO City-Wide Dev. Corp.	10/10	395,000.00	10/1/04	12.462%	
Rural Enterprise, Inc.	10/10	467,000.00	10/1/04	12.462%	
Wisconsin Bus. Dev. Fin. Corp.	10/10	500,000.00	10/1/04	12.462%	
Brownsville Local Dev. Co., Inc.	10/10	500,000.00	10/1/04	12.462%	
San Diego County Loc. Dev. Corp.	10/10	500,000.00	10/1/04	12.462%	
New River Valley Dev. Corp.	10/10	500,000.00	10/1/04	12.462%	
Evergreen Community Dev. Assoc.	10/10	500,000.00	10/1/04	12.462%	
Columbus Countywide Dev. Corp.	10/10	30,000.00	10/1/09	12.424%	
Richmond Renaissance Dev. Corp.	10/10	47,000.00	10/1/09	12.424%	
San Diego County Loc. Dev. Corp.	10/10	57,000.00	10/1/09	12.424%	
Columbus Countywide Dev. Corp.	10/10	61,000.00	10/1/09	12.424%	

FEDERAL FINANCING BANK

OCTOBER 1984 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (other than semi-annual)
State & Local Development Company Debentures (Cont'd)					
Jeffcorp Development Company	10/10	$ 65,000.00	10/1/09	12.424%	
St. Paul 503 Dev. Co.	10/10	79,000.00	10/1/09	12.424%	
Clay County Dev. Corp.	10/10	92,000.00	10/1/09	12.424%	
City-Wide Sm. Bus. Dev. Corp.	10/10	95,000.00	10/1/09	12.424%	
The New Haven Comm. Inv. Corp.	10/10	105,000.00	10/1/09	12.424%	
Warren Redev. & Plan. Corp.	10/10	113,000.00	10/1/09	12.424%	
Evergreen Com. Dev. Assoc.	10/10	131,000.00	10/1/09	12.424%	
Ark-Tex Reg. Dev. Co., Inc.	10/10	139,000.00	10/1/09	12.424%	
The St. Louis County L.D.C.	10/10	149,000.00	10/1/09	12.424%	
San Diego County L.D.C.	10/10	160,000.00	10/1/09	12.424%	
Arizona Enterprise Dev. Corp.	10/10	165,000.00	10/1/09	12.424%	
San Diego County L.D.C.	10/10	181,000.00	10/1/09	12.424%	
Texas Cert. Dev. Company, Inc.	10/10	192,000.00	10/1/09	12.424%	
Milwaukee Economic Dev. Corp.	10/10	234,000.00	10/1/09	12.424%	
Columbus Countywide Dev. Corp.	10/10	265,000.00	10/1/09	12.424%	
Scioto Economic Dev. Corp.	10/10	280,000.00	10/1/09	12.424%	
Wisconsin Bus. Dev. Fin. Corp.	10/10	283,000.00	10/1/09	12.424%	
The Mid-America Cert. Dev. Co.	10/10	300,000.00	10/1/09	12.424%	
Evergreen Comm. Dev. Assoc.	10/10	346,000.00	10/1/09	12.424%	
Evergreen Comm. Dev. Assoc.	10/10	348,000.00	10/1/09	12.424%	
Bay Area Bus. Dev. Co.	10/10	380,000.00	10/1/09	12.424%	
Wilmington Industrial Dev., Inc.	10/10	430,000.00	10/1/09	12.424%	
San Diego County L.D.C.	10/10	479,000.00	10/1/09	12.424%	
Ark-Tex Reg. Dev. Co., Inc.	10/10	500,000.00	10/1/09	12.424%	
Centralina Dev. Corp., Inc.	10/10	500,000.00	10/1/09	12.424%	
Small Business Investment Company Debentures					
Albuquerque Sm. Bus. Inv. Co.	10/24	250,000.00	10/1/87	11.745%	
Enterprise Capital Corporation	10/24	1,000,000.00	10/1/87	11.745%	
Tappan Zee Capital Corporation	10/24	300,000.00	10/1/87	11.745%	
Enterprise Capital Corporation	10/24	960,000.00	10/1/89	11.945%	
Falcon Capital Corporation	10/24	500,000.00	10/1/89	11.945%	
Federated Capital Corporation	10/24	150,000.00	10/1/89	11.945%	
Heritage Venture Group	10/24	500,000.00	10/1/89	11.945%	
Western Financial Capital Corp.	10/24	1,000,000.00	10/1/89	11.945%	
James River Capital Associates	10/24	500,000.00	10/1/94	12.025%	
Mesirow Capital Corporation	10/24	1,000,000.00	10/1/94	12.025%	
Mighty Capital Corporation	10/24	500,000.00	10/1/94	12.025%	
Questech Capital Corporation	10/24	1,000,000.00	10/1/94	12.025%	
RIHT Capital Corporation	10/24	1,000,000.00	10/1/94	12.025%	
Retzloff Capital Corporation	10/24	2,000,000.00	10/1/94	12.025%	
SBI Capital Corporation	10/24	1,500,000.00	10/1/94	12.025%	
Wood River Capital Corporation	10/24	9,000,000.00	10/1/94	12.025%	
TENNESSEE VALLEY AUTHORITY					
Seven States Energy Corporation					
Note A-85-01	10/31	513,707,558.05	1/31/85	9.785%	

FEDERAL FINANCING BANK
October 1984 Commitments

BORROWER	GUARANTOR	AMOUNT	EXPIRES	MATURITY
Santa Ana, CA	HUD	$ 13,500,000.00	8/16/86	8/16/86
Westland, MI	HUD	650,000.00	10/1/85	10/1/85

FEDERAL FINANCING BANK HOLDINGS
(in millions)

Program	October 31, 1984	September 30, 1984	Net Change 10/1/84-10/31/84
On-Budget Agency Debt			
Tennessee Valley Authority	$ 13,725.0	$ 13,435.0	$ 290.0
Export-Import Bank	15,689.8	15,689.8	-0-
NCUA-Central Liquidity Facility	263.8	268.9	-5.1
Off-Budget Agency Debt			
U.S. Postal Service	1,087.0	1,087.0	-0-
U.S. Railway Association	51.3	51.3	-0-
Agency Assets			
Farmers Home Administration	59,021.0	59,511.0	-490.0
DHHS-Health Maintenance Org.	116.1	116.1	-0-
DHHS-Medical Facilities	132.0	132.0	-0-
Overseas Private Investment Corp.	11.0	11.0	-0-
Rural Electrification Admin.-CBO	3,536.7	3,536.7	-0-
Small Business Administration	39.4	40.1	-.7
Government-Guaranteed Lending			
DOD-Foreign Military Sales	17,337.3	17,110.9	226.4
DEd.-Student Loan Marketing Assn.	5,000.0	5,000.0	-0-
DOE-Geothermal Loan Guarantees	11.2	6.2	4.9
DOE-Non-Nuclear Act (Great Plains)	1,319.5	1,290.0	29.5
DHUD-Community Dev. Block Grant	217.5	208.3	9.2
DHUD-New Communities	33.5	33.5	-0-
DHUD-Public Housing Notes	2,178.5	2,178.5	-0-
General Services Administration	413.3	413.3	-0-
DOI-Guam Power Authority	36.0	36.0	-0-
DOI-Virgin Islands	28.7	28.7	-0-
NASA-Space Communications Co.	902.3	954.6	-52.3
DON-Defense Production Act	3.3	3.1	0.2
Rural Electrification Admin.	20,693.7	20,587.1	106.6
SBA-Small Business Investment Cos.	872.8	860.3	12.6
SBA-State/Local Development Cos.	375.0	354.6	20.4
TVA-Seven States Energy Corp.	1,545.6	1,555.5	-9.9
DOT-Section 511	159.6	159.6	-0-
DOT-WMATA	177.0	177.0	-0-
TOTALS*	$ 144,978.0	$ 144,836.2	$ 141.8

*figures may not total due to rounding

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE November 29, 1984

RESULTS OF TREASURY'S AUCTION OF 17-DAY AND 45-DAY
CASH MANAGEMENT BILLS

Tenders for $5,013 million of 17-day Treasury bills and for $ 5,007 million of 45-day Treasury bills, both to be issued on December 3, 1984, were accepted at the Federal Reserve Banks today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS	17-day bills maturing December 20, 1984			45-day bills maturing January 17, 1985		
	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/	Price
Low	8.42%	8.58%	99.602	8.24%	8.44%	98.970
High	8.49%	8.64%	99.599	8.26%	8.46%	98.968
Average	8.45%	8.60%	99.601	8.25%	8.45%	98.969

Tenders at the high discount rate for the 17-day bills were allotted 40%.
Tenders at the high discount rate for the 45-day bills were allotted 53%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS
(In Thousands)

Location	Received	Accepted	Received	Accepted
Boston	$ 503,000	$ 40,000	$ 500,000	--
New York	19,368,000	4,871,000	19,291,000	$5,007,000
Philadelphia	--	--	--	--
Cleveland	35,000	--	45,000	--
Richmond	1,000	--	--	--
Atlanta	--	--	--	--
Chicago	1,114,000	52,000	732,000	--
St. Louis	--	--	--	--
Minneapolis	--	--	--	--
Kansas City	20,000	--	20,000	--
Dallas	--	--	--	--
San Francisco	846,000	50,000	1,375,000	--
TOTALS	$21,887,000	$5,013,000	$21,963,000	$5,007,000

1/ Equivalent coupon-issue yield.

R-2940

TREASURY NEWS
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FOR IMMEDIATE RELEASE

Dec. 3, 1984

Contact: Bob Levine

(202) 566-2041

U. S. BRIDGE LOAN FOR ARGENTINA

The Treasury Department announced today that it has entered into an arrangement to provide short-term bridge financing through the Exchange Stabilization Fund totaling $500 million in support of the economic program of Argentina which has been agreed with the management of the International Monetary Fund (IMF). In this connection, it is expected that Argentina will be eligible shortly for balance of payments financing from the IMF under a new standby arrangement and the Compensatory Financing Facility (CFF) upon approval by the Executive Board.

The Treasury Department's bridge financing will be made available when the IMF Managing Director: (a) formally submits the Argentine requests for a standby arrangement and a purchase under the CFF to the IMF Executive Board; and (b) confirms that he has received firm assurances that adequate financing will be available in support of the Argentine economic program.

R-2941

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EMBARGOED UNTIL 2:00 p.m.
December 3, 1984

Contact: Roger Bolton
Art Siddon
(202) 566-5252
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TREASURY RELEASES VOLUME II OF TAX REFORM AND SIMPLIFICATION STUDY

The Treasury Department today released Volume II of its report to the President on tax reform for fairness and simplicity and economic growth.

This Volume contains details that were not contained in Volume I. It includes the depreciation tables and other information that businesses and individuals can use to assess their tax liabilities under the Treasury's plan.

Treasury Secretary Donald T. Regan said, "Businesses, and other groups, will now have the details from which they can calculate how our proposals will affect them. We hope that they will make these calculations for their industry and for their companies and share them with us. As I have said before, once these calculations are made, we will have a basis of fact, not just assertion, to discuss our plan. We will take cognizance of the comments of those who will be affected by it".

R-2942

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE December 3, 1984

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $6,804 million of 13-week bills and for $6,804 million of 26-week bills, both to be issued on December 6, 1984, were accepted today.

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing March 7, 1985			26-week bills maturing June 6, 1985		
	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/	Price
Low	8.47% a/	8.78%	97.859	8.65% b/	9.17%	95.627
High	8.55%	8.86%	97.839	8.68%	9.20%	95.612
Average	8.52%	8.83%	97.846	8.67%	9.19%	95.617

a/ Excepting 2 tenders totaling $3,260,000.
b/ Excepting 1 tender of $4,000,000.
Tenders at the high discount rate for the 13-week bills were allotted 26%.
Tenders at the high discount rate for the 26-week bills were allotted 11%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted	Received	Accepted
Boston	$ 398,140	$ 157,640	$ 419,450	$ 29,450
New York	12,501,850	5,076,850	15,793,725	5,781,755
Philadelphia	23,365	23,365	19,515	19,515
Cleveland	115,305	100,505	64,265	44,265
Richmond	37,785	37,785	50,775	34,995
Atlanta	53,340	53,340	32,600	30,710
Chicago	1,096,475	446,235	1,305,645	334,025
St. Louis	58,015	43,015	64,130	25,230
Minneapolis	35,500	17,000	19,605	9,605
Kansas City	50,850	50,850	69,380	64,400
Dallas	39,750	39,750	26,325	16,875
San Francisco	831,195	461,955	1,454,425	59,585
Treasury	295,940	295,940	353,530	353,530
TOTALS	$15,537,510	$6,804,230	$19,673,370	$6,803,940
Type				
Competitive	$12,648,740	$3,915,460	$16,743,640	$3,874,210
Noncompetitive	1,047,570	1,047,570	822,530	822,530
Subtotal, Public	$13,696,310	$4,963,030	$17,566,170	$4,696,740
Federal Reserve	1,786,100	1,786,100	1,600,000	1,600,000
Foreign Official Institutions	55,100	55,100	507,200	507,200
TOTALS	$15,537,510	$6,804,230	$19,673,370	$6,803,940

1/ Equivalent coupon-issue yield.

R-2943

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

For Release Upon Delivery
Expected at 1:00 p.m.

Address by
Donald T. Regan
Secretary of the Treasury
before the
National Press Club
December 3, 1984

A couple of weeks ago I read that by not changing his Cabinet, or senior staff, President Reagan was dooming his second Administration to a case of tired blood. We supposedly were out of fresh ideas, nothing new would be proposed, and Congress would have to do it all.

Now after first the revelation of the possibility of more detailed arms talks with the Soviets, the probability of deep cuts in the budget, and the tax reform proposal, all coming within weeks after the election, I don't think any one can say we're out of new ideas, or have hardening of the arteries. I'm already reading that some in Congress are wondering if we're trying to do too much all at once. I certainly get that feeling about the tax proposal.

It was only a week ago today that I briefed the President on Treasury's tax reform proposals, and just six days since the study was officially presented and released to the press and public.

Yet in that short time I've read reams of news accounts and listened to a plethora of critical comment. Everyone has an opinion. Everyone has an analysis. But I'll bet that very few of our critics have completely read our report. I won't ask for a show of hands from the press present as to whether they have read the study completely or not.

This is not meant as an evasive answer to the substantive comments of the critics. I'm merely trying to make a point. The study is lengthy and, because our current tax system is complex, our proposals are comprehensive. It is too soon for most to have totally digested the study, or to have mastered the interaction of all its aspects. In fact they've barely had time to read it.

R-2944

Our proposals form a unified plan -- a fabric, if you will, composed of many interwoven strands. And it is misleading, and frankly, distortionary, to look at just one strand of that fabric -- and condemn the whole plan.

But in many cases, this is exactly what has happened. And it's led to an early problem that I'd like to address.

Focusing on just one detail or a few instead of assessing the plan as a whole, misses the point. And it is the overall impact on all of us that is far more important than the effect on this or that group. Its effect on our economy is vital.

What we sought to achieve in our recommendations was, first, revenue neutrality; that is to neither raise nor reduce the tax revenues that would be received from the current system.

We also sought:

- to see to it that the tax system should aid, not impede economic growth.
- to remove the distorting impact of taxes on economic decision-making, both for individuals and businesses.
- to see to it that all families with a given income pay approximately the same amount of tax.
- to reduce marginal tax rates so that all Americans know that if they work harder or longer or are more innovative or creative, that they can keep most of what their efforts produce for them.
- to simplify the system so that the average taxpayer can understand the system, and the process of paying his taxes should be less costly and less time consuming.
- to have businesses making equal amounts of money pay approximately the same taxes.
- to eliminate and curtail tax shelters and other loopholes that in the first instance divert resources to unproductive areas and, secondly, to make it clear to all taxpayers that the other fellow is being taxed on the same basis as he is.
- to eliminate taxation of families with incomes at or below the poverty level, to reduce the taxes of the poor, to see that the tax system does not do injury to the disadvantaged, and to adjust tax liabilities fairly for families.

In short, we have attempted to fulfill the Presidential mandate to make the system simpler, fairer and more economically efficient.

These were our guideposts during the 10 months in which we developed our proposal. And we've been faithful to the objectives.

But being faithful to one of our goals -- revenue neutrality -- has given rise to the recurring question: Why are we even bothering with tax reform? Why go through all the pain of fighting all those special interests when no new revenue is raised and the budget deficit is the paramount economic problem of the day?

The answer is: because it's the right thing to do. All polls show most Americans think the system is unfair, and complicated President Reagan recognized this. He felt as we all do: The American people deserve a tax system that instills confidence, that is comprehensible, that is fair and that is workable. Running a $200 billion deficit or, for that matter, a $200 billion surplus does nothing to diminish the right of all Americans to have such a fair tax system.

Deficit reduction is critically important, but it is another matter completely. We are attending to it and you will be hearing a lot more about that -- even beyond the leaks you've already published! It will have first priority, and it will be done in the right way -- by cutting Federal spending.

But tax simplification, on its own, deserves the fullest and fairest consideration by the Congress. And if they don't know it yet, they will soon learn, as we in Treasury already have, that the people are demanding it.

Now, being one of the few in this room who has read our study cover to cover, I'd like to elaborate on one aspect of it. Let me discuss briefly fairness, and what our proposals would accomplish.

We are releasing today Volume Two of our study. Using the information you'll find in there, let me give you a few examples. All of them will be calculated for a 1986 tax year. Remember now we have reduced 14 tax brackets to three, 15 percent - 25 percent -- and a top bracket of 35 percent.

First, let's look at an elderly couple with no dependents, pension income of $15,000, interest income of $6,000 dividend income of $4,000, and no wage income.

The couple's itemized deductions under current law include home mortgage interest, charitable contributions, state and local taxes, and miscellaneous deductions (such as legal and accounting fees relating to investments). The couple's $2,000 of home mortgage interest approximates the interest on an outstanding mortgage balance of $40,000 at a 5% interest rate.

Under the Treasury Department proposals (once fully phased in), the couple's tax liability would be essentially the same as under current law, but the preparation of its tax return would be simpler because it would no longer itemize deductions.

The couple's taxable income would be slightly higher under the proposals, but the increase in taxable income would be offset by the lower income tax rates. In computing taxable income under the proposals, total income would be lower than under current law due to the exclusion from income of the inflationary component of interest receipts, while itemized deductions would also be lower due to the elimination of the deduction for state and local taxes and the reduced deduction for charitable contributions. As a result of the reduced itemized deductions and the increased zero bracket amount, the proposals would make it unnecessary for the couple to itemize.

The couple's tax liability under the Treasury Department proposals would be 0.7 percent higher than under current law ($16 more) but its marginal rate would be reduced from 18% to 15%.

Now let's consider a single-earner couple with two dependents and making the median income of about $34,000.

In addition to wage income, let's say that family benefits from employer-provided life and health insurance premiums. The family's itemized deductions under current law include home mortgage interest, charitable contributions, and state and local taxes. If the family had $4,550 of home mortgage interest, that would approximate an outstanding mortgage balance of $38,000, at a 12 percent interest rate.

Under the Treasury Department proposals, the deduction for home mortgage interest would continue to be allowed in full. However, the proposals would allow a deduction for charitable contributions only to the extent their contributions exceeded 2 percent of their adjusted gross income, and would eliminate entirely the deduction for state and local taxes.

Taking into account the increased personal exemptions under the Treasury Department proposals, they go up from $1000 to $2000 per person, this family's taxable income would be slightly higher under the proposals than under current law, but due to the lower income tax rates, under our proposals, the family's tax liability would be 3 percent lower than under current law, or $109 less.

As a final example, we'll look at a high-income, one-earner couple with no dependents.

There are $600,000 of wage income, $3,000 of employer-provided life and health insurance premiums, dividend income of $58,000, itemized deductions (under current law equaling approximately $94,000, and a share in a real estate limited partnership that generates rental income of $225,000, operating expenses of $25,000, depreciation of $200,000, and interest expense of $200,000.

The couple's $20,250 of home mortgage interest approximates interest on a $169,000, 30-year mortgage at a 12 percent interest rate.

Under the Treasury Department proposals, the couple's tax liability would be 13.5 percent higher than under current law, or $22,360 more. The increase is attributable to (1) the adjustment of interest expense for inflation and (2) the limitation on investment interest expense which, under current law, does not apply to consumer interest and many real estate tax shelters.

Ronald Reagan is constantly accused of being uncaring and favoring policies which aren't fair. In his State of the Union directive to me 10 months ago, he stressed that fairness should be an overriding guideline for our study. Given the outcome, I think anyone would be hard pressed to show we haven't been consistent with the President's objective.

We have taken 2-1/2 million low income people off the tax rolls. The biggest reduction in tax liabilities falls in the low income groups under $20,000. We have given the disabled and disadvantaged the fullest benefit of a fair tax system.

Because of this we have garnered a good deal of support already from individuals and groups who apparently believe we've accomplished our goals.

Some of that support has even come from, what one might call at first glance, unexpected sources. Democratic Governor Bruce Babbitt of Arizona calls our proposal "superb." Congressman Charlie Rangel, a New York Democrat usually at odds with the Administration, is euphoric.

Economists spanning the spectrum from liberal to conservative have praised the proposals. We've gotten the support of the National Taxpayers Union and General Motors' chairman Roger Smith has joined the bandwagon.

We welcome them all. Although, I will admit, when Ralph Nader's Congress Watch Group praised the plan last Wednesday, and Bart Rowen heaped praise on me Sunday, I paused.

But then, when I see the fierce attacks by those whose only interest is to, as one of them put it, "maintain our edge," well, I think I'm on the right side of this issue.

As far as the business lobbyists are concerned, our 10 months of study and the subsequent reform proposals are all boiled down to how some specific recommendation would affect this industry or that industry; this investment or that investment; this business decision or that business decision.

And remarkably they've done it without the benefit of supporting economic data. Why do I say this? Because they can't figure out the impact of our proposals they object to without the depreciation and economic life tables that are first coming out today.

Let me ask all leaders of industry -- especially those whose representatives in Washington have been quick to scream -- to ask their tax departments to do their homework. Take these depreciation schedules -- that we are giving out today. Do your calculations and remember that we are also giving a massive -- 50 percent -- deduction for dividends paid to stockholders. We're also indexing inventories, depreciation, and interest charges and we have cut the corporate tax rate from 46 percent to 33 percent. Yes 33 percent -- 40 percent was a bad leak! I say to those businesses work your numbers, analyze them. You may be very surprised. Then come talk to us -- we'll listen.

The criticisms are loud and some might even say persuasive. But everyone of these contentions begins with insufficient study. And that goes for Wall Street and the capital gains proposals. Few if any on Wall Street have had the time, let alone the documents, to study indexing of assets and then a tax imposed only on real gain at 15 - 25 - and 35 percent rates.

Our current system promotes some economic sectors over others; that is not how we want it to be. We have, I believe, an industrial policy through our tax code. I do not favor that.

So, no part of our new proposal intends to bring any sector or any investment <u>down</u>. Rather, our proposal, in its entirety, seeks to bring all sectors and all investments <u>up</u> to a fair and effective level.

The removal, or restriction, of what some may call an incentive is actually the removal or restriction of what is proving to be a disincentive to the most efficient use of capital and a distortion in economic growth.

I'm not saying that some in the business and industrial sector won't suffer adverse effects relative to the current system. But let me stress, we did not undertake this task to design a plan for aiding specific industries any more than we set out to design a plan to raise taxes.

We set out simply to design a fair, sound and durable tax system for all. And I believe we have succeeded.

Now, lest I come across as pointing the finger only at some in the business world, let me assure you, parochialism doesn't stop there.

A good case in point is offered by the battle cries emanating from New York regarding the proposed elimination of the state and local tax deduction. Not only are Governor Cuomo and Senator Moynihan opposing it but they are attempting to mobilize other governors around the country.

There was a story in the New York Times last week that calculated the effect of our tax proposals on a mythical New York City family. The example used an annual family income of $80,000, and found, after a variety of uncheckable assumptions, that this family's tax bill would rise by about $600.

I have to ask, is this the "typical" family that they are concerned about? The $80,000 earner?

A relatively high percentage of New Yorkers do itemize deductions. Forty-four percent compared to the national average of 33 percent. Also, tax rates in New York are high.

This combination, say some of the state's officials, would cause itemizing residents to experience, in effect, a tax increase if the state and local tax deduction is removed.

Well, what about the 56 percent who don't itemize? Shouldn't they get lower rates? But to get lower rates without reducing revenue we have eliminated some tax breaks for the few. We do not feel the nation's taxpayers should bear unequal Federal tax burdens because they live in a low or a high tax state.

Now, before finishing up, let me mention one other aspect of our proposal that shouldn't be underestimated. We are proposing that Uncle Sam prepare tax forms for the taxpayer -- and by April 15 send him the figures together with a check for a refund or a bill for taxes due. We call this the "return free" system. Beginning with the tax year 1987, we would focus on the 1040EZ filing population -- single individuals with no dependents and limited interest income who earn under $50,000. Based on 1983 numbers, this program in 1987 should apply to about 14 million taxpayers, 15 percent of the total. By 1990, we believe the program could reach as many as two-thirds of individual taxpayers.

Would a return-free system be worth the trouble? Think what it would mean. By 1990, taxpayers would be spared 97 million hours in return preparation and untold amounts in preparer fees. There would also be considerably less aggravation for taxpayers. I think a lot of taxpayers would tell you it's worth the trouble to develop such a system.

In conclusion, we believe we have created a simpler, fairer tax system that does not favor a privileged few, or entrenched special interests. Our proposal changes the status quo -- dramatically.

But the status quo is not what American taxpayers want. They have asked for relief. I believe we have given them just that. Relief from complication, and relief from unfairness.

At the current moment the U.S. economy is in an exciting period of transition from smokestack to high tech -- a time when stability is not necessarily desirable. When the economy goes through a creative transition, as it is now, you expect to find lots of daring new innovations and some instability.

As the <u>Economist</u> of London put it last week, "America is thriving in this creative chaos." I feel it is up to government to use the tax system to try to foster this "creative chaos" by not adhering to a tax system that favors the old over the new, one industry over another.

For years this country has been poking at tax reform. We've usually never gotten beyond providing lip service. Now, finally, we have laid a real plan on the table.

It's a good start. And it deserves serious study and consideration. We welcome that.

Thank you.

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TREASURY TAX REFORM PROPOSAL:

TAX BURDEN EXAMPLES WITH NARRATIVES

R-2945

Joint Return of an Elderly Couple with No Dependents

	Current Law (1986)	Proposed Change in Law	Treasury Dept Proposal	Current Law (1986)	Proposed Change in Law	Treasury Dept Proposal
OME:						
Pension	15,000.00	.00	15,000.00			
Interest 1/	6,000.00	-2,400.00	3,600.00			
Dividends 2/	3,800.00	200.00	4,000.00			
AL INCOME				24,800.00	-2,200.00	22,600.00
USTMENTS:						
Miscellaneous Employee & Income-Producing Expenses 3/	.00	.00	.00			
s:TOTAL ADJUSTMENTS.				.00	.00	.00
USTED GROSS INCOME.				24,800.00	-2,200.00	22,600.00
IZED DEDUCTIONS:						
Charitable Contributions 4	1,500.00	-452.00	1,048.00			
Home Mortgage Interest	2,000.00	.00	2,000.00			
State & Local Taxes 5/	1,400.00	-1,400.00	.00			
Miscellaneous Itemized Deduction 3/	100.00	-100.00	.00			
al Itemized Deductions	5,000.00	-1,952.00	3,048.00			
s: Zero Bracket Amount	3,710.00	90.00	3,800.00			
s:ALLOWABLE ITEMIZED DEDUCTIONS				1,290.00	-1,290.00	.00
s:PERSONAL EXEMPTIONS 6/.				4,360.00	-360.00	4,000.00
BLE INCOME.				19,150.00	-550.00	18,600.00
. . . .				2,204.10	15.90	2,220.00
centage Change in Tax						+0.7%
ginal Tax Rate				18%	-3%	15%

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Under proposal, a proportion of interest income or expense will be excluded to approximate effect of inflation.
Under proposal, dividend exclusion of up to $100 per taxpayer ($200 on joint returns) would be repealed.
Under proposal, current employee business expense adjustment and miscellaneous itemized deduction
or expenses incurred in the production of income are combined and subject to a floor of 1% of Total Income.
Under proposal, charitable contributions are subject to a floor of 2% of adjusted gross income.
Under proposal, state and local taxes not directly incurred in the production of income are not deductible.
our exemptions under current law including two for age. Two exemptions under proposal.

: Assumes 1986 tax rates and brackets but that Treasury proposal is fully phased in.

Example #1

Example #1 involves a joint return of an elderly couple with no dependents, pension income of $15,000, interest income of $6,000, dividend income of $4,000, and no wage income. The couple's itemized deductions under current law include home mortgage interest, charitable contributions, State and local taxes, and miscellaneous deductions (such as legal and accounting fees relating to investments). The couple's $2,000 of home mortgage interest approximates the interest on an outstanding mortgage balance of $40,000 at a 5% interest rate.

Under the Treasury Department proposals (once fully phased in), the couple's tax liability would be essentially the same as under current law, but the preparation of its tax return would be simpler because it would no longer itemize deductions. The couple's taxable income would be slightly higher under the proposals, but the increase in taxable income would be offset by the lower income tax rates.

In computing taxable income under the proposals, total income would be lower than under current law due to the exclusion from income of the inflationary component of interest receipts, while itemized deductions would also be lower due to the elimination of the deduction for State and local taxes and the reduced deduction for charitable contributions. As a result of the reduced itemized deductions and the increased zero bracket amount, the proposals would make it unnecessary for the couple to itemize. Finally, under the proposals, the couple would be entitled to two personal deductions (rather than four, as under current law), but, because each exemption would be higher under the proposals, the decrease in the total deduction for personal exemptions would be small.

The couple's tax liability under the Treasury Department proposals would be 0.7 percent higher than under current law ($16 more) and its marginal rate would be reduced from 18% to 15%. Thus, any additional income earned by the couple would be taxed at the reduced rate of 15%.

Return of a Single Individual with No Dependents

	Current Law (1986)	Proposed Change in Law	Treasury Dept Proposal	Current Law (1986)	Proposed Change in Law	Treasury Dept Proposal
:OME:						
Wages	10,000.00		10,000.00			
Employer Paid Life Insurance Premiums 1/		100.00	100.00			
USTED GROSS INCOME.				10,000.00	100.00	10,100.00
s:PERSONAL EXEMPTIONS (1 Exemption). . .				1,090.00	910.00	2,000.00
:ABLE INCOME.				8,910.00	-810.00	8,100.00
. . . .				856.40	-61.40	795.00
centage Change in Tax						-7.2%
ginal Tax Rate				15%	0%	15%

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Under proposal, all employer paid life insurance premiums will be included in employee income.

e: Assumes 1986 tax rates and brackets but that Treasury proposal is fully phased in.

Example #2

Return of a Single Individual with no Dependents

Example #2 involves a single individual with $10,000 of wage income and $100 of employer-paid life insurance premiums, no other sources of income, no itemized deductions, and no dependents.

The taxpayer's tax liability would be approximately 7 percent lower under the Treasury Department proposals than under current law ($61 less). The reduced tax liability results from the increased personal exemption deduction, which would be $2,000 under the proposals. Thus, while the Treasury Department proposals would require this individual to include in income the employer-paid life insurance premiums, this inclusion is more than offset by the increased deduction.

Example 3

Joint Return of a Median-Income One-Earner Family with Two Dependents

	Current Law (1986)	Proposed Change in Law	Treasury Dept Proposal	Current Law (1986)	Proposed Change in Law	Treasury Dept Proposal
INCOME:						
First Earner's Wages	33,600.00		33,600.00			
Employer Paid Life Insurance Premiums 1/		200.00	200.00			
Excessive Employer Paid Health Insurance Premiums 2/		1,144.00	1,144.00			
ADJUSTED GROSS INCOME.				33,600.00	1,344.00	34,944.00
ITEMIZED DEDUCTIONS:						
Charitable Contributions 3/	1,008.00	-698.88	309.12			
Home Mortgage Interest	4,550.00	.00	4,550.00			
State & Local Taxes 4	2,184.00	-2,184.00	.00			
Total Itemized Deductions	7,742.00	-2,882.88	4,859.12			
Less: Zero Bracket Amount	3,710.00	90.00	3,800.00			
Less:ALLOWABLE ITEMIZED DEDUCTIONS				4,032.00	-2,972.88	1,059.12
Less:PERSONAL EXEMPTIONS (4 Exemptions) . .				4,360.00	3,640.00	8,000.00
TAXABLE INCOME.				25,208.00	676.88	25,884.88
TAX				3,421.26	-108.53	3,312.73
Percentage Change in Tax						-3.2%
Marginal Tax Rate				22%	-7%	15%

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1/ Under proposal, all employer paid life insurance premiums will be included in employee income.

2/ Under proposal, employer paid medical insurance premiums will be included in employee income to the extent they exceed $70 per month for a single person and $175 per month for a family.

3/ Under proposal, charitable contributions are subject to a floor of 2% of adjusted gross income.

4/ Under proposal, state and local taxes not directly incurred in the production of income are not deductible.

Note: Assumes 1986 tax rates and brackets but that Treasury proposal is fully phased in.

Example #3

Joint Return of a One-Earner Couple with Two Dependents

Example #3 involves a joint return of a median-income, one-earner couple with two dependents. In addition to wage income, the family benefits from employer-paid life and health insurance premiums. The family's itemized deductions under current law include home mortgage interest, charitable contributions, and State and local taxes. The family's $4,550 of home mortgage interest approximates the interest on an outstanding mortgage balance of $38,000 at a 12% interest rate.

This family's tax liability would be 3.2 percent lower under the Treasury Department proposals than under current law ($109 less). The family would continue to deduct home mortgage interest in full. However, the proposals would cut back on the deduction for charitable contributions and would eliminate entirely the deduction for State and local taxes.

Taking into account the increase in the deduction for personal exemptions under the Treasury Department proposals, this family's taxable income would be slightly higher under the proposals than under current law. However, due to the lower income tax rates under the proposals, its tax liability would be less. Moreover, the family would pay a tax of only 15% on additional income, compared to 22% under current law.

Joint Return of a Married Couple with No Dependents

	Current Law (1986)	Proposed Change in Law	Treasury Dept Proposal	Current Law (1986)	Proposed Change in Law	Treasury Dept Proposal
OME:						
First Earner's Wages	30,000.00		30,000.00			
Second Earner's Wages	20,000.00		20,000.00			
Employer Paid Life Insurance Premiums 1/		170.00	170.00			
Excessive Employer Paid Health Insurance Premiums 2/		110.00	110.00			
AL INCOME				50,000.00	280.00	50,280.00
USTMENTS:						
Second Earner Deduction 3/	2,000.00	-2,000.00	.00			
IRA Contributions 4/	4,000.00	1,000.00	5,000.00			
Miscellaneous Employee & Income-Producing Expenses 5/	.00		.00			
s:TOTAL ADJUSTMENTS.				6,000.00	-1,000.00	5,000.00
USTED GROSS INCOME.				44,000.00	1,280.00	45,280.00
MIZED DEDUCTIONS:						
Charitable Contributions 6/	1,000.00	-905.60	94.40			
Home Mortgage Interest	8,250.00	.00	8,250.00			
Other Consumer Interest	440.00	.00	440.00			
State & Local Taxes 7/	2,860.00	-2,860.00	.00			
Miscellaneous Itemized Deduction 5/	100.00	-100.00	.00			
tal Itemized Deductions	12,650.00	-3,865.60	8,784.40			
ss: Zero Bracket Amount	3,710.00	90.00	3,800.00			
ss:ALLOWABLE ITEMIZED DEDUCTIONS				8,940.00	-3,955.60	4,984.40
ss:PERSONAL EXEMPTIONS (2 Exemptions) . .				2,180.00	1,820.00	4,000.00
XABLE INCOME.				32,880.00	3,415.60	36,295.60
X				5,297.50	26.40	5,323.90
rcentage Change in Tax						+0.5%
rginal Tax Rate				28%	-3%	25%

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/ Under proposal, all employer paid life insurance premiums will be included in employee income.
/ Under proposal, employer paid medical insurance premiums will be included in employee income to the extent they exceed $70 per month for a single person and $175 per month for a family.
/ The proposal eliminates the second earner deduction.
/ Assumes that taxpayer raises IRA contribution to maximum permitted by new proposal. If contribution remains the same, tax under proposal would be $5,578.90, for an increase of $281.40 or 5.3%.
/ Under proposal, current employee business expense adjustment and miscellaneous itemized deduction for expenses incurred in the production of income are combined and subject to a floor of 1% of Total Income.
/ Under proposal, charitable contributions are subject to a floor of 2% of adjusted gross income.
/ Under proposal, state and local taxes not directly incurred in the production of income are not deductible.

ote: Assumes 1986 tax rates and brackets but that Treasury proposal is fully phased in.

Example #4

Joint Return of a Two-Earner Couple with no Dependents

Example #4 involves a joint return of a two-earner couple with no dependents. In addition to wage income, the couple benefits from employer-paid life and health insurance premiums. The couple's itemized deductions under current law include home mortgage interest, consumer interest, charitable contributions, State and local taxes, and a small amount of miscellaneous employee expenses (such as expenses for professional journals). In addition, under current law, the couple is entitled to the second-earner deduction and makes the maximum allowable IRA contribution.

Under the Treasury Department proposals, the couple's tax liability would be essentially the same as under current law. However, the computation of taxable income would differ markedly. Under the proposals, the couple would be taxed fairly on all of its income. The employer-paid life insurance premiums (and health insurance premiums above a cap) would be included in gross income, though not taxed under current law. The deductions for home mortgage interest and consumer interest would be allowed in full (because consumer interest is less than $5,000), but the deduction for charitable contributions would be reduced, and the deductions for State and local taxes and for miscellaneous employee expenses would be eliminated. The second-earner deduction would not be allowed, but under the Treasury Department proposals the couple would be entitled to make a greater deductible IRA contribution.

Taking into account the increased personal exemptions, the couple's taxable income under the Treasury Department proposals would be higher than under current law, but this increase would be offset by the reduction in tax rates. The couple's tax liability would increase by only one-half of one percent ($26). Moreover, the couple would pay a tax of only 25% on any additional income, compared to 28% under current law.

Joint Return of a Two-Earner Married Couple with Two Dependents

	Current Law (1986)	Proposed Change in Law	Treasury Dept Proposal	Current Law (1986)	Proposed Change in Law	Treasury Dept Proposal
:OME:						
First Earner's Wages	30,000.00		30,000.00			
Second Earner's Wages	20,000.00		20,000.00			
Employer Paid Life Insurance Premiums 1/		170.00	170.00			
Excessive Employer Paid Health Insurance Premiums 2/		110.00	110.00			
'AL INCOME				50,000.00	280.00	50,280.00
USTMENTS:						
Second Earner Deduction 3/	2,000.00	-2,000.00	.00			
IRA Contributions 4/	4,000.00	1,000.00	5,000.00			
Miscellaneous Employee & Income-Producing Expenses 5/	.00		.00			
;s:TOTAL ADJUSTMENTS				6,000.00	-1,000.00	5,000.00
IUSTED GROSS INCOME.				44,000.00	1,280.00	45,280.00
:MIZED DEDUCTIONS:						
Charitable Contributions 6/	1,000.00	-905.60	94.40			
Home Mortgage Interest	8,250.00	.00	8,250.00			
Other Consumer Interest	440.00	.00	440.00			
State & Local Taxes 7/	2,860.00	-2,860.00	.00			
Miscellaneous Itemized Deduction 5/	100.00	-100.00	.00			
:al Itemized Deductions	12,650.00	-3,865.60	8,784.40			
ss: Zero Bracket Amount	3,710.00	90.00	3,800.00			
ss:ALLOWABLE ITEMIZED DEDUCTIONS				8,940.00	-3,955.60	4,984.40
ss:PERSONAL EXEMPTIONS (4 Exemptions) . .				4,360.00	3,640.00	8,000.00
(ABLE INCOME.				30,700.00	1,595.60	32,295.60
(. . . .				4,745.00	-421.10	4,323.90
'centage Change in Tax						-8.9%
'ginal Tax Rate				25%	0%	25%

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Under proposal, all employer paid life insurance premiums will be included in employee income.
Under proposal, employer paid medical insurance premiums will be included in employee income to the extent they exceed $70 per month for a single person and $175 per month for a family.
The proposal eliminates the second earner deduction.
Assumes that taxpayer raises IRA contribution to maximum permitted by new proposal. If contribution remains the same, tax under proposal would be $4,578.90, for a decrease of $166.10 or 3.5%.
Under proposal, combines employee business expense adjustment and miscellaneous itemized deduction for expenses incurred in the production of income are combined and subject to a floor of 1% of Total Income.
Under proposal, charitable contributions are subject to a floor of 2% of adjusted gross income.
Under proposal, state and local taxes not directly incurred in the production of income are not deductible.

te: Assumes 1986 tax rates and brackets but that Treasury proposal is fully phased in.

Example #5

Joint Return of a Two-Earner Couple with Two Dependents

Example #5 involves a joint return of a two-earner couple with two dependents. Except for the number of dependents claimed on the return, it is the same as Example #4.

This couple's tax liability would be reduced by 8.9% ($421) even though its reported income would be somewhat higher than under current law. When contrasted with Example #4, the couple's reduced tax is produced by the increase in the dependency exemptions.

Example 6

Joint Return of a Married Couple with No Dependents: No Tax Shelters

	Current Law (1986)	Proposed Change in Law	Treasury Dept Proposal	Current Law (1986)	Proposed Change in Law	Treasury Dept Proposal
INCOME:						
First Earner's Wages	600,000.00		600,000.00			
Employer Paid Life Insurance Premiums 1/		300.00	300.00			
Excessive Employer Paid Health Insurance Premiums 2/		2,700.00	2,700.00			
Dividends 3/	57,800.00	200.00	58,000.00			
TOTAL INCOME				657,800.00	3,200.00	661,000.00
ADJUSTMENTS:						
IRA Contributions 4/	2,250.00	2,750.00	5,000.00			
ess:TOTAL ADJUSTMENTS.				2,250.00	2,750.00	5,000.00
ADJUSTED GROSS INCOME.				655,550.00	450.00	656,000.00
TEMIZED DEDUCTIONS:						
Charitable Contributions 5/	19,666.50	-13,120.00	6,546.50			
Home Mortgage Interest	20,250.00	.00	20,250.00			
Other Consumer Interest 6/	6,555.50	-622.20	5,933.30			
State & Local Taxes 7/	47,588.75	-47,588.75	.00			
otal Itemized Deductions	94,060.75	-61,330.95	32,729.80			
ess: Zero Bracket Amount	3,710.00	90.00	3,800.00			
ess:ALLOWABLE ITEMIZED DEDUCTIONS				90,350.75	-61,420.95	28,929.80
ess:PERSONAL EXEMPTIONS (2 Exemptions) . .				2,180.00	1,820.00	4,000.00
AXABLE INCOME.				563,019.25	60,050.95	623,070.20
AX				261,211.53	-53,266.96	207,944.57
ercentage Change in Tax						-20.4%
arginal Tax Rate				50%	-15%	35%

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Office of Tax Analysis

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/ Under proposal, all employer paid life insurance premiums [illegible] be included in employee income.
/ Under proposal, employer paid medical insurance premiums will be included in employee income to the extent they exceed $70 per month for a single person and $175 per month for a family.
/ Under proposal, dividend exclusion of up to $100 per taxpayer ($200 on joint returns) would be repealed.
/ Assumes that taxpayer raises IRA contribution to maximum permitted by new proposal.
/ Under proposal, charitable contributions are subject to a floor of 2% of adjusted gross income.
/ Under proposal, a portion of consumer interest expense in excess of $5,000 which represents impact of inflation will be disallowed.
/ Under proposal, state and local taxes not directly incurred in the production of income are not deductible.

ote: Assumes 1986 tax rates and brackets but that Treasury proposal is fully phased in.

Example #6

Joint Return of a High-Income One-Earner Couple with no Dependents and no Tax Shelters

Example #6 involves a joint return of a one-earner couple with no dependents, $600,000 of employment income, $3,000 of employer-paid life and health insurance premiums, dividend income of $58,000, itemized deductions (under current law) of approximately $94,000, and no tax shelter activity (i.e., no business or investment losses). The couple's $20,250 of home mortgage interest approximates the interest on an outstanding mortgage balance of $170,000 at a 12% interest rate.

Under the Treasury Department proposals, this couple's tax liability would be reduced by approximately 20 percent ($53,267). Although the couple's taxable income would increase under the proposals, the couple would benefit significantly from the lower tax rates.

Under the proposals, home mortgage interest would continue to be deductible in full. In other respects, the proposals would affect the computation of the couple's taxable income in the following manner: (1) employer-paid life insurance premiums (and health insurance premiums above a cap) would be included in income; (2) the inflationary component of consumer interest expense in excess of $5,000 would not be deductible; (3) the deduction for charitable contributions would be reduced to the extent contributions do not exceed 2 percent of adjusted gross income; (4) the deduction for State and local taxes would be eliminated; (5) the maximum deductible IRA contribution would be increased (and would be available on equal terms to the spouse working in the home); and (6) the personal exemptions would be increased.

In addition, the couple would pay a tax of only 35% on additional income, compared to 50% under current law. This decrease in the marginal tax rate would reduce the tax incentive for the couple to participate in tax shelters, and would provide greater incentives for work and productive investment.

Example 7

Joint Return of a Married Couple with No Dependents: with Tax Shelter

	Current Law (1984)	Proposed Change in Law	Treasury Dept Proposal	Current Law (1984)	Proposed Change in Law	Treasury Dept Proposal
INCOME:						
First Earner's Wages	600,000.00		600,000.00			
Employer Paid Life Insurance Premiums 1/		300.00	300.00			
Excessive Employer Paid Health Insurance Premiums 2/		2,700.00	2,700.00			
Dividends 3/	57,800.00	200.00	58,000.00			
Limited Partnership Net Income 8/	-200,000.00	142,933.30	-57,066.70			
TOTAL INCOME				457,800.00	146,133.30	603,933.30
ADJUSTMENTS:						
IRA Contributions 4/	2,250.00	2,750.00	5,000.00			
Less: TOTAL ADJUSTMENTS.				2,250.00	2,750.00	5,000.00
ADJUSTED GROSS INCOME.				455,550.00	143,383.30	598,933.30
ITEMIZED DEDUCTIONS:						
Charitable Contributions 5/	19,666.50	-11,978.67	7,687.83			
Home Mortgage Interest	20,250.00	.00	20,250.00			
Other Consumer Interest 6/	6,555.50	-622.20	5,933.30			
State & Local Taxes 7/	39,588.75	-39,588.75	.00			
Total Itemized Deductions	86,060.75	-52,189.62	33,871.13			
Less: Zero Bracket Amount	3,710.00	90.00	3,800.00			
Less: ALLOWABLE ITEMIZED DEDUCTIONS				82,350.75	-52,279.62	30,071.13
Less: PERSONAL EXEMPTIONS (2 Exemptions) . .				2,180.00	1,820.00	4,000.00
TAXABLE INCOME.				371,019.25	193,842.92	564,862.17
TAX				165,211.53	22,360.23	187,571.76
Percentage Change in Tax						+13.5%
Marginal Tax Rate				50%	-15%	35%

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1/ Under proposal, all employer paid life insurance premiums will be included in employee income.
2/ Under proposal, employer paid medical insurance premiums will be included in employee income to the extent they exceed $70 per month for a single person and $175 for a family.
3/ Under proposal, dividend exclusion of up to $100 per taxpayer ($200 on joint returns) would be repealed.
4/ Assumes that taxpayer raises IRA contribution to maximum permitted by new proposal.
5/ Under proposal, charitable contributions are subject to a floor of 2% of adjusted gross income.
6/ Under proposal, a portion of consumer interest expense in excess of $5,000 which represents impact of inflation will be disallowed.
7/ Under proposal, state and local taxes not directly incurred in the production of income are not deductible.

8/ Net income of tax shelter partnership is determined as follows:

	Current Law	Proposed Change	Treasury Proposal
Gross Rental Income	225,000.00		225,000.00
Less: Operating Expenses	25,000.00		25,000.00
Less: Depreciation */	200,000.00		200,000.00
Less: Interest Expense **/	200,000.00	-142,933.30	57,066.70
Partnership Income	-200,000.00	142,933.30	-57,066.70

*/ Any difference in depreciation deductions under proposal is ignored in order to focus on adjustment of interest expense deduction for effects of inflation.
**/ The inflationary component of $80,000 is not deductible. In addition, $62,933.30 is not deductible currently but is carried forward and may be deducted in future years.

Note: Assumes 1984 tax rates and brackets but that Treasury proposal is fully phased in.

Example #7

Joint Return of a High-Income, One-Earner Couple with no Dependents and a Tax Shelter Investment

Example #7 involves a high-income, one-earner couple with no dependents. It is the same as Example #6 in all respects except that the couple has a limited partnership interest in a real estate partnership generating tax losses. The couple's share of partnership income and expense includes gross rental income of $225,000, operating expenses of $25,000, depreciation of $200,000, and interest expense of $200,000. (Due to the net loss from the partnership, the couple's State and local taxes for the year are lower than in Example #6.)

Under the Treasury Department proposals, the couple's tax liability would be 13.5% higher than under current law ($22,360 more). The increase is attributable primarily to the way in which the proposals reduce the deductions that can be taken on account of tax shelter investments.

Under the assumed inflation indexing adjustment, 40% (or $80,000) of the nominal partnership interest expense (as well as 40% of consumer interest in excess of $5,000) would be disallowed. In addition, under the investment interest limitation, no deduction would be permitted for the remaining $120,000 of partnership interest (as well as the couple's indexed consumer interest of $5,933.30) to the extent it exceeded the couple's net investment income ($58,000 of dividends) plus $5,000. Since the disallowance would apply to non-itemized interest before itemized interest, $62,933.30 of partnership interest would be disallowed and carried forward.

Finally, the couple would pay a tax of only 35% on additional income, compared to 50% under current law. This decrease in the marginal tax rate would further reduce the tax incentive for the couple to participate in tax shelters, and would provide greater incentives for work and productive investment.

Example 8

Joint Return of a Married Couple with No Dependents: with Tax Shelter

	Current Law (1986)	Proposed Change in Law	Treasury Dept Proposal	Current Law (1986)	Proposed Change in Law	Treasury Dept Proposal
INCOME:						
First Earner's Wages	300,000.00		300,000.00			
Employer Paid Life Insurance Premiums 1/		300.00	300.00			
Excessive Employer Paid Health Insurance Premiums 2/		1,700.00	1,700.00			
Dividends 3/	29,800.00	200.00	30,000.00			
Limited Partnership Net Income 8/	-100,000.00	70,000.00	-30,000.00			
TOTAL INCOME				229,800.00	72,200.00	302,000.00
ADJUSTMENTS:						
IRA Contributions 4/	2,250.00	2,750.00	5,000.00			
Less:TOTAL ADJUSTMENTS.				2,250.00	2,750.00	5,000.00
ADJUSTED GROSS INCOME.				227,550.00	69,450.00	297,000.00
ITEMIZED DEDUCTIONS:						
Charitable Contributions 5/	8,000.00	-5,940.00	2,060.00			
Home Mortgage Interest	12,000.00	.00	12,000.00			
Other Consumer Interest 6/	5,000.00	.00	5,000.00			
State & Local Taxes 7/	17,000.00	-17,000.00	.00			
Total Itemized Deductions	42,000.00	-22,940.00	19,060.00			
Less: Zero Bracket Amount	3,710.00	90.00	3,800.00			
Less:ALLOWABLE ITEMIZED DEDUCTIONS				38,290.00	-23,030.00	15,260.00
Less:PERSONAL EXEMPTIONS (2 Exemptions) . .				2,180.00	1,820.00	4,000.00
TAXABLE INCOME.				187,080.00	90,660.00	277,740.00
TAX				73,241.70	13,837.30	87,079.00
Percentage Change in Tax						+18.9%
Marginal Tax Rate				50%	-15%	35%

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1/ Under proposal, all employer paid life insurance premiums will be included in employee income.
2/ Under proposal, employer paid medical insurance premiums will be included in employee income to the extent they exceed $70 per month for a single person and $175 for a family.
3/ Under proposal, dividend exclusion of up to $100 per taxpayer ($200 on joint returns) would be repealed.
4/ Assumes that taxpayer raises IRA contribution to maximum permitted by new proposal.
5/ Under proposal, charitable contributions are subject to a floor of 2% of adjusted gross income.
6/ Under proposal, a portion of consumer interest expense in excess of $5,000 which represents impact of inflation will be disallowed.
7/ Under proposal, state and local taxes not directly incurred in the production of income are not deductible.

8/ Net income of tax shelter partnership is determined as follows:

	Current Law	Proposed Change	Treasury Proposal
Gross Rental Income	110,000.00		110,000.00
Less: Operating Expenses	10,000.00		10,000.00
Less: Depreciation */	100,000.00		100,000.00
Less: Interest Expense **/	100,000.00	-70,000.00	30,000.00
Partnership Income	-100,000.00	70,000.00	-30,000.00

*/ Any difference in depreciation deductions under proposal is ignored in order to focus on adjustment of interest expense deduction for effects of inflation.
**/ The inflationary component of $40,000 is not deductible. In addition, $30,000 is not deductible currently but is carried forward and may be deducted in future years.

Note: Assumes 1986 tax rates and brackets but that Treasury proposal is fully phased in.

Example #8

Joint Return of a High-Income, One-Earner Couple with no Dependents and a Tax Shelter Investment

Example #8 involves a high-income, one-earner couple with no dependents and a tax shelter investment. It is the same as Example-#7 in all respects except that the couple's items of income and and itemized deductions are approximately one-half as great as in Example #7. In Example #8, the couple's share of partnership income and expense includes gross rental income of $110,000, operating expenses of $10,000, depreciation of $100,000, and interest expense of $100,000.

Under the Treasury Department proposals, the couple's tax liability would be 18.8% higher than under current law ($13,837 more). The increase is attributable primarily to the way in which the proposals reduce the deductions that can be taken on account of tax shelter investments.

Under the assumed inflation indexing adjustment, 40% (or $40,000) of the nominal partnership interest expense would be disallowed. In addition, under the investment interest limitation, no deduction would be permitted for the remaining $60,000 of partnership interest (as well as the couple's consumer interest of $5,000) to the extent it exceeded the couple's net investment income ($30,000 of dividends) plus $5,000. Since the disallowance would apply to non-itemized interest before itemized interest, $30,000 of partnership interest would be disallowed and carried forward.

Finally, the couple would pay a tax of only 35% on additional income, compared to 50% under current law. This decrease in the marginal tax rate would further reduce the tax incentive for the couple to participate in tax shelters, and would provide greater incentives for work and productive investment.

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REMARKS BY THE HONORABLE R. T. MCNAMAR
DEPUTY SECRETARY OF THE TREASURY
BEFORE THE
INSTITUTE OF FOREIGN BANKERS
NEW YORK, NEW YORK

December 4, 1984

THE NEW FUNDAMENTALS OF EXCHANGE RATE MOVEMENTS

Thank you, and it's a pleasure to be with you today. As you well know, "Managing Currency Risk Exposure" involves the interaction of many factors and can be viewed at different levels ranging from the tactical trading decision to the strategic portfolio realignment.

Mr. Denis, I'm told, will be focusing on several key aspects of this topic as he presents an overview of a technical trading model that he has used successfully at Altair.

In addition to the trading aspects, it is important that anyone attempting to manage currency risk exposure have an understanding of the macro-economic factors that influence exchange rate movements. We've all seen numerous articles and explanations for exchange rate movements in general and the rise of the dollar over the last few years in particular. Unfortunately, such discussions tend to rely on outdated theories and, consequently, fail to analyze "the new fundamental forces" that are driving exchange rate movements.

Tonight, I would like to suggest a framework for assessing exchange rate movements which, I believe, better fits the interdependence of today's investment markets. In addition, I would like to utilize such a framework to discuss the importance and potential effect of Treasury's recently released proposal for improving the American tax system.

By understanding the underlying fundamentals, I think you'll be in a better position to assess recent events, predict their overall future impact on your business, and understand the impact of domestic and international economic policies, such as the tax policy. First, let's analyze the effectiveness of traditional explanations for exchange rate movements in the context of the past few years.

TRADITIONAL EXPLANATIONS

Many theories have been offered to explain the rise of the dollar. Most center on the behavior or shifts in trade or current account balances, U.S. interest rates, or inflation rates. But in my view these and other traditional explanations fall short, on both a conceptual and an empirical basis, of explaining the strength of the dollar in the last few years.

First, let's examine the external account balance argument -- the trade and current account balances. In college, we were all taught that exchange rate movements were linked to shifts in a country's trade and current account balances.

Countries with growing current account surpluses are expected to experience appreciation of their currencies. Countries with growing current account deficits are supposed to see their currencies fall.

In the past this seemed to be the case. For example, between 1975 and 1978, the U.S. current account went from a plus $18 billion to a minus $15 billion. Following the traditional theory, the dollar depreciated by 9 percent. During the same period, the Japanese current account went from a $1 billion deficit to a $17 billion surplus, and the yen appreciated by 41 percent. The German surplus rose by $5 billion and the DM appreciated by 17 percent.

Unfortunately, the "rules of the game" have changed since the 1970's and the world is much different than it was even a decade ago. Today, it is essential to understand the relative importance of trade transactions and non-trade related capital flows.

Currently, international trade in goods and services total approximately $2 trillion per year. By comparison, estimates of capital flows are usually in the $20-30 trillion range (10 to 15 times goods and services). Recently, the Financial Times estimated that $200 billion in foreign exchange is traded between banks every day -- or approximately $50 trillion per year.

Given the relative importance of capital flows versus trade flows today, it seems clear that capital flows, not trade flows, determine exchange market dynamics.

Another traditional explanation of recent dollar movements focuses on nominal interest rate differentials between countries. This conventional wisdom says large U.S. budget deficits have raised U.S. interest rates, increasing the nominal interest rate spreads over those offered in Europe. In turn, the theory goes, these nominal interest rate differentials have driven up the value of the dollar vis-a-vis European currencies.

Let's examine this theory. First, despite the oft-repeated assertions of a large budget deficit-interest rate link, Treasury has not been able to find any consistent statistically satisfactory correlation between the two. Nor have our requests to others produced such an analysis.

During the first three quarters of 1984, we saw estimates of the deficit progressively lowered from $231 billion in last year's original budget to $174 billion in this summer's midsession review, a drop of $57 billion or 25 percent. Yet, during this period the dollar increased 10 percent on a trade-weighted basis against the OECD currencies.

Second, although relative changes in interest rate differentials are clearly one element influencing exchange markets, they cannot -- and have not -- explained the dollar's persistent strength. Analysis shows that nominal interest rate differentials have decreased or moved against the dollar between early 1981 and the present. That is, the nominal interest rate spread has narrowed.

While interest rate differentials have moved in favor of the DM by 400 basis points and the French franc by almost 700 basis points since early 1981, the dollar has risen against the DM by 58 percent and against the franc by 109 percent. The same is true for other major currencies.

Pragmatically, if large nominal interest rate differentials are the sole key, much higher interest rate spreads existing between the U.S. and any number of Latin American countries would have resulted in large sales of the dollar to buy those currencies. But obviously people have not been selling dollar assets to buy those currencies.

The most dramatic evidence has occurred in the last few weeks. During this period, we have seen a significant fall in both short and long term U.S. interest rates and a narrowing of differentials with Europe. But, counter to the conventional wisdom, the dollar strengthened to 3.12 DM to the dollar yesterday. These recent events may have, finally, laid the old interest rate-exchange rate argument to rest.

The large deficit-high interest rate-high dollar hypothesis also fails to distinguish between alternative policy choices to reduce the U.S. federal budget deficit. Either raising taxes or cutting spending will reduce the deficit per se, but each has significantly different domestic economic (and therefore exchange rate) effects. Suffice it to say that the large deficit-high interest rate-high dollar analysis assumes a host of other variables (like monetary policy) are either perfectly anodyne or exogenous during the year. These seem naive assumptions, which is why I would label this a simplistic hypothesis.

As you can see, on both theoretical and pragmatic grounds, the oft-asserted deficit-interest rate relationship is a derivative and non-determinative one. As such, it is of little value in terms of explaining anticipated economic performance or predicting probable future exchange market developments.

MORE COMPLETE EXPLANATION

Instead, I submit that institutional investors alter exchange rates by shifting their portfolio preferences toward investments in countries where the anticipated relative after-tax, real rate of return from investments is higher, given comparable maturity and financial uncertainty and similar sovereign risks. And, when investors sense that there are current or prospective developments that will significantly alter anticipated relative rates of return to capital, they realign their investment preferences. Over time, the resulting international capital flows help to achieve a more efficient allocation of resources on a worldwide basis.

After-tax real rates of return are a function of the overall economic and political environment impacting the investment decision. As a result, one must analyze each of the key components in a country <u>relative</u> to other countries over the term of the investment. The components are:

-- Sustainable economic growth prospects

-- Projected inflation rates

-- Effective tax rates on investments

-- Capital market conditions

-- Government regulations and social rigidity

-- Sovereign and political risk

It is important to realize that at the margin it is the aggregate of these factors in each country <u>relative</u> to other nations that determines present and future exchange rates. The factors are weighted differently by diverse investors at any point in time, and are continually changing to reflect disparate scenarios for the future. It is the daily interaction of thousands of international institutional and corporate investors' decisions that determines the collective response to those factors.

While I cannot present a precise mathematical equation to calculate or predict exchange rates, I believe this suggested analytical framework is more comprehensive and therefore more useful than most in making strategic portfolio decisions. As such, it suggests a model for evaluating the dollar's strong performance in recent years and drawing implications for future micro-economic policies for your firm and macro-economic policies for the nation. Let me briefly discuss each element.

Economic Growth and Vitality

The first factor in this framework is the relative overall economic performance of the major countries. Shifts in comparative performance do lead to shifts in both the direction and size of international capital flows. All other things held constant, a nation with a strong growing economy with relatively higher rates of return will result in institutional and personal investors preferring assets denominated in that nation's currency.

Clearly, in absolute terms there has been a dramatic improvement in U.S. economic performance over the past two years. But, we too often forget that relative to other countries, it has improved even more over the last several years.

The four largest European economic countries will likely average 2 to 2 1/2 percent growth in 1984, about the same as in 1979-80. Japan's growth is expected to be about 5 1/2 percent this year, a bit above its 1979-80 average of 5 percent. By contrast, our projected 6-7 percent real GNP growth this year compares with a U.S. average of slightly over one percent in 1979-80. Thus, while major European countries are back only to the growth rates they achieved in the 1970s, the real growth rate in the United States has quintupled.

While the United States has grown more rapidly than both Europe and Japan, the relative U.S. increase is larger vis-a-vis Europe. Thus it is not surprising that the yen has fallen much less against the dollar than have the European currencies. Consequently, since early 1981, the yen has strengthened notably against European currencies, rising 27 percent to record levels against the DM.

Inflation

In terms of inflation, the United States looks much better in both an absolute sense and relative to other major industrial countries in recent years.

Inflation rates have been cut in half abroad, but by three-fourths in the U.S. Our inflation rate was 12-13 percent in 1980 but is projected at about 4 percent this year. This will likely be below the European average of 6 percent, and closer to Japan's 2 1/2 percent. The point is that as excellent as our absolute performance is on inflation, it is even more impressive relative to the improvements in the rest of the world. Again, all other things being held constant, the anticipated real rates of return in the U.S. have improved on a comparative basis with other SDR countries.

Taxes

A third and too often ignored factor influencing investment flows is relative tax policies. Let me stress, it is after-tax cash flow, not before-tax returns that count. You can't reinvest pre-tax earnings.

Again, the changed environment in the U.S. is relatively much more attractive today. More favorable depreciation allowances and credits, combined with lower effective corporate income tax rates and lower individual marginal rates, have increased cash flow from business and individual investment and contributed to higher relative after-tax returns from both American corporate and government bonds as well as direct equity investments.

The interaction and competitiveness of international tax policies is well illustrated by the reaction of other governments to the United States action late this summer to remove our 30 percent withholding tax on interest paid to non-residents. Both West Germany and France have already announced their repeal of their withholding taxes on interest paid, to restore their relative competitive positions to the U.S. And, I expect the Japanese will consider it in the new Diet.

In announcing this move, the French Finance Ministry stated that the move has been taken "jointly with the German government ... to protect European financial markets from the negative effects brought on by the American government's decision...." Read that as "not further reducing the relative after-tax return on French franc denominated assets versus U.S. dollar denominated assets."

As mentioned at the outset, I will return to this factor in the context of Treasury's tax reform proposal to illustrate the interaction between domestic policies and international financial markets.

Capital Markets

The next factor to consider is capital market conditions. Without question, the U.S. has the largest and deepest capital market in the world. Credit is widely available for attractive projects. Our stock markets are followed daily throughout the world. And, make no mistake, the anticipated relative performance of the world's stock markets immediately moves investment capital and therefore influences exchange rates. In the last six months, as measured by the World Index of stock market performance, the price increase in the U.S. stock market was a net 6.5 percent higher even before taxes than the rest of the world.

Turning to debt, overseas investors have shown the same eagerness for corporate dollar denominated bonds. For the first nine months of this year, over $14 billion, or one-third of all American corporate bonds, were issued overseas. Is it the nominal interest rate differentials or the currency appreciation potential on the principal that attracts them? I would suggest that U.S. observers too often neglect the latter consideration, which is often of paramount importance to the foreign investor.

Government Regulation and Market Rigidities

Another factor in investors' judgments about relative return opportunities is their assessment of future comparative business environments. Here again the United States looks strong relative to other countries. In Europe, the extreme concern for job security and high levels of social insurance benefits have reduced the relative attractiveness of new investment and have contributed to less rather than more new employment. Last week's Economist article on "Europe's Technology Gap" is a clear critique of Europe's performance in terms of what my economist friends call "structural rigidities," which do affect exchange rates.

Sovereign Risk

Finally, the political risk factor has favored the dollar in the past several years. Economic and political problems abroad have impacted investors' views of many non-U.S. investment opportunities.

These investor concerns have ranged from the impact of East European debt problems on German banks and the nationalizations in France following the Socialist victory, to worries about political instability and turmoil in the Middle East. The rise of the Greens, the metal workers strike and the political stability of the coalition are all factors in investors' views of the relative attractiveness of Germany. The LDC debt situation, especially in some Latin American countries led to massive capital flight in the 1980-1983 period.

While in some cases investor fears may have been exaggerated, the perception that the United States is a safe and secure place for funds is not. These perceptions have certainly contributed to the capital flight to the dollar observed in some recent years.

Interplay of Factors

Perhaps the interplay of these factors and the manner in which they have driven the dollar in the last few years can best be illustrated by the actions of foreign investors in the sunbelt commercial real estate market.

Not long ago, real estate professionals were amazed by foreign investors' demand for real estate in this region and their willingness to pay such high prices for the property. From the foreign investors' perspective, they were willing to capitalize cash flows at much lower discount rates (as low as 4 percent in many cases) and, thereby, increase the present value of the investment, due to the relative attractiveness of this type of opportunity when compared with other opportunities in other parts of the world.

Factors such as relative economic growth and inflation expectations, a favorable tax situation, and simply the ability to get their money back drove the foreign investors' decision-making process. The U.S. real estate professionals failed to understand these underlying factors, how they had changed, and the new interdependence of worldwide markets. Those Europeans who purchased "inflated California real estate" may have seen a drop in nominal prices, but expressed in today's DM, guilders, or francs, they are way ahead.

Exchange Market Conclusions

As I stated at the outset, international investors alter exchange rates by shifting their portfolio preferences toward investments in countries where the anticipated relative after-tax, real rate of return from investments is higher, given comparable maturity and financial uncertainty and similar sovereign risks. And, when investors sense that there are current or prospective developments that will significantly alter future relative rates of return to capital, they react accordingly.

Long term, the dollar and our position in world financial and investment markets will be tied to our ability to develop economic policies consistent with the new rules of capital flows. Today, this means abandoning the artificial bifurcation between domestic economic policy and international economic policy.

Against this background, I would ask several admittedly rhetorical questions of those who complain that the dollar is "too high" and the government should "bring it down." How should we do that and by what policies? Are they suggesting the U.S. should have both more inflation and lower real economic growth in absolute terms and relative to other countries? Should the U.S. consciously decrease the after-tax rate of return from work, savings, and investment relative to other countries? Obviously, the answer is not an overhaul of present U.S. policies, but rather the need for a revision in other countries' policies to improve their relative investment performance outlook.

I believe the dollar's strength reflects, not some temporary interest rate or trade balance factor, but a fundamental relative improvement in U.S. economic policies, performance and prospects compared to the other reserve currencies. And, I suggest more and more observers will begin to believe that the dollar will continue to be "strong" relative to the 1976-1980 years for the foreseeable future, until and unless other countries adopt policies which achieve more sustainable non-inflationary growth with other factors being equal. Those crisis-mongers who warn of an imminent collapse simply haven't done their homework.

However, based on this framework, our long-term relative position will be a function of our ability to adopt domestic economic policies which increase the relative attraction of the factors I have discussed. Recent events in the area of tax policy illustrate the role and impact of one of the components of this framework.

TREASURY TAX SYSTEM IMPROVEMENT PROPOSAL

A week ago today, the Treasury Department released a proposal for improving the American tax system by making it more equitable and simpler. At first blush, many of you may have viewed this as only a domestic policy issue. However, I hope that through the framework repesented tonight the impact of such domestic economic policies of one country on exchange rate movements and, indeed, international financial markets is apparent. We will alter the after-tax rate of return on various types of investments, and the exchange markets will eventually reflect this.

Our current tax system falls far short in meeting the needs of this country during the next several decades. It encourages borrowing and actually provides disincentives for saving. Not surprisingly, our savings rate is low relative to other countries. Further, due to its complexity and special preferences for certain groups, investments, or industries, capital is oftentimes allocated on the basis of tax implications rather than true economic returns -- viewed, I might say, in the terms of international investment opportunities. If this country is to generate the necessary capital, allocate it to those sectors of the economy most deserving from an economic perspective and, as a result, ensure competitiveness in world markets, a change in our tax system is imperative.

Our ability to address these shortcomings through domestic economic and tax policies has a direct implication on exchange rate movements. If we can improve capital generation and reduce overall marginal tax rates, the after-tax rate of return relative to other countries will improve. Clearly such shifts, as we've seen from the earlier analysis, will be reflected in exchange rate markets. In effect, U.S. tax policies will be "graded" by the foreign exchange markets.

CONCLUSION

I hope this more comprehensive framework and the discussion of the implications of tax policy reform present a useful background to translate the real meaning and underlying reasons for exchange rate movements. Further, we face important economic policy decisions such as tax reform which have a direct bearing on our future relative position.

My conclusion is clear. Investors around the world have re-evaluated the view they had of the United States in 1980 compared with that view today and once more found the U.S. the most attractive economy in the world. And the degree to which the United States economy continues to be attractive relative to other nations is dependent on our ability to make decisions on difficult domestic economic issues, because domestic and international economic policies are one and the same for the United States, and the foreign exchange markets provide an assessment of our relative performance.

Thank you.

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FOR RELEASE AT 4:00 P.M. December 4, 1984

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $ 13,600 million, to be issued December 13, 1984. This offering will provide about $ 525 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of $ 13,079 million, including $ 760 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities and $ 3,209 million currently held by Federal Reserve Banks for their own account. The two series offered are as follows:

91-day bills (to maturity date) for approximately $6,800 million, representing an additional amount of bills dated September 13, 1984, and to mature March 14, 1985 (CUSIP No. 912794 GW 8), currently outstanding in the amount of $6,648 million, the additional and original bills to be freely interchangeable.

182-day bills (to maturity date) for approximately $6,800 million, representing an additional amount of bills dated June 14, 1984, and to mature June 13, 1985 (CUSIP No. 912794 GM 0), currently outstanding in the amount of $8,354 million, the additional and original bills to be freely interchangeable.

Both series of bills will be issued for cash and in exchange for Treasury bills maturing December 13, 1984. Tenders from Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rates of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

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Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239, prior to 1:00 p.m., Eastern Standard time, Monday, December 10, 1984. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must state the par amount of bills bid for, which must be a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m. Eastern time on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions as well as holdings of outstanding bills with the same maturity date as the new offering, e.g., bills with three months to maturity previously offered as six-month bills. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit

of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids for the respective issues. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on December 13, 1984, in cash or other immediately-available funds or in Treasury bills maturing December 13, 1984. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

TREASURY NEWS
epartment of the Treasury • Washington, D.C. • Telephone 566-2041

IMMEDIATE RELEASE
December 5, 1984

Contact: Art Siddon
(202) 566-5252

PETER J. WALLISON RESIGNS AS TREASURY GENERAL COUNSEL

The Department of the Treasury announced today that General Counsel Peter J. Wallison will be leaving the Department December 31, 1984, to return to private law practice in Washington, D.C. Mr. Wallison has been General Counsel since June 19, 1981.

As General Counsel, Mr. Wallison has been responsible for all legal work in the Department and has served as senior legal adviser to the Secretary and other senior Department officials.

Before joining the Treasury Department, Mr. Wallison was a partner in the law firm of Rogers & Wells, New York City. Prior to that he was Counsel to Vice President Nelson A. Rockefeller. He received a B.A. degree in 1963 from Harvard College and an LL.B. degree in 1966 from Harvard Law School.

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R-2948

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
December 6, 1984

CONTACT: Brien Bensen
566-2041

TREASURY PRESENTS AWARDS FOR CASH MANAGEMENT SAVINGS

The Department of the Treasury today held a ceremony to present the first annual Awards for Distinction in Cash Management. Thirty-six federal employees, representing 19 agencies, and one private sector representative received honorary and cash awards amounting to $97,000 for cash management achievements.

Donald T. Regan, Secretary of the Treasury, said, "The Department of the Treasury has been in the business of managing the government's money for almost 200 years. Only recently, however, has cash management--the coordination of payments, collections, financial reporting and investments--been recognized as a critical factor in the financial well-being of the nation."

"The awards received today demonstrate the Administration's commitment under Reform '88 to this concept and recognize the major governmentwide contributions of those who have creatively applied cash management principles to diverse government programs. Without exception, each award recipient has a superior record of accomplishment in what is now becoming the science of federal government cash management."

A total of $97,000 in awards, ranging from $2,000 to $10,000, went to 23 federal employees from the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Housing and Urban Development, Interior, Justice, the Environmental Protection Agency, Federal Deposit Insurance Corporation, Federal Home Loan Bank Board, and General Services Administration. Joint recipients shared awards equally.

-more-

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Honorary awards, given to individuals from both the federal government and the private sector, went to representatives of the Departments of Agriculture and Housing and Urban Development, and the DuPont Company. DuPont is a member company of the Private Sector Council, established to provide corporate executives "pro bono" to federal departments to assist in implementing recommendations of the Grace Commission.

The Secretary's Certificate Awards went to 12 federal employees representing the Departments of Defense, Energy, Labor, Transportation, the Railroad Retirement Board, Securities and Exchange Commission, Small Business Administration, and Veterans Administration.

The Department of the Treasury sponsors these awards to "encourage and recognize excellence in endeavors directly or indirectly associated with the collection of federal government funds, the disbursement of federal government funds, cash position management, and the optimum use of funds excess to the federal government's immediate disbursement needs."

The Reform '88 Cash Management Project, managed by Treasury's Financial Management Service, involves more than 400 initiatives in federal agencies and is expected to produce savings of $1.5 billion in interest and operational costs by fiscal year 1986 and $2 billion in fiscal years 1987 and 1988.

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Note: Photographs will be available upon request in approximately one week. For information, contact Charlotte Mehuron at 566-6576.

Recipients of Awards
for
Distinction in Cash Management
December 6, 1984

AWARD FOR DISTINCTION IN CASH MANAGEMENT

The Award for Distinction in Cash Management in 1984 is given to 23 federal employees who, by their outstanding performance, developed, implemented, enhanced, or supported cash management efforts that collectively saved millions of dollars in interest expense for the American public. The cash awards range from $2,000 to $10,000 lump sum.

CAPTAIN JOHN R. HERKO
Staff Finance Officer, U.S. Army Finance and Accounting Center

U. S. ARMY
Indianapolis, IN

Award - $2,000

Captain John R. Herko is recognized for evaluating cash management initiatives in the U. S. Army. His work to establish the worldwide use of travelers checks in Army finance offices and test automated teller machines to pay soldiers has been clearly exceptional.

JAMES V. JOHNSTON
Chief, Accounting Branch

U.S. DEPARTMENT OF ENERGY
Oak Ridge, TN

Award - $2,000

Mr. Johnston is recognized for significant and continuous contributions over a period of several years. He was instrumental in implementing the Treasury Financial Communications System resulting in $475,000 interest savings per year. He established a lock box procedure for contractors, and the Prompt Pay Act requirements. He is currently involved in a pilot for the use of the simplified intergovernmental billing and collection system.

DAVID E. NEVERMAN
Assistant Administrator
Planning, Budgeting, and Finance, Farmers Home Administration

Award - $2,000

DEPARTMENT OF AGRICULTURE
Washington, D.C.

Under Mr. Neverman's leadership, the Agency's cash concentration system was successfully piloted in four states. When fully implemented, this system is expected to net $16 million in annual interest savings.

SAM R. PRESTIANNI
Program Analysis Officer
Social Security Administration

Award - $2,000

DEPARTMENT OF HEALTH & HUMAN SERVICES
Baltimore, MD

Mr. Prestianni initiated the idea that the Social Security Trust Fund should be credited for uncashed Title II benefit checks. He developed the legislative package sent to HHS. This was ultimately signed into Public Law in 1983, saving $50 million each year to the Social Security Trust Fund.

MARY A. NUGENT
Cash Management Officer

Award - $3,000

U.S. DEPARTMENT OF JUSTICE
Washington, D.C.

Ms. Nugent established a lock box facility, which achieved a 17-day acceleration in processing; accelerated collections by the Bureau of Prisons by changing the billing cycles; and implemented the government credit card program. These initiatives have saved $1.7 million through FY 1984 and will save $1.8 million annually.

J.L. PEARRE
Operating Accountant
Naval Supply Systems Command

D.W. WHITE
Systems Accountant
Naval Supply Systems Command

Award - $3,000

UNITED STATES NAVY
Washington, D.C.

Mr. Pearre and Mr. White are jointly recognized for their outstanding efforts in implementing the cash management program within the Naval supply system community, which in FY 1984 reduced interest payments by 50% and early payments by 93%, resulting in annual savings of approximately $1 million.

SONYA STEWART
Director, Financial Federal Assistance

Award - $3,000

U.S. DEPARTMENT OF COMMERCE
Washington, D.C.

Ms. Stewart is cited for her outstanding performance in developing, implementing and administrating a departmentwide program covering all elements of cash management in the Department of Commerce and for substantially exceeding established cash management goals for savings of $1 million.

JAMES B. DEEMER
Controller

Award - $4,000

FEDERAL HOME LOAN BANK BOARD
Washington, D.C.

Mr. Deemer has been an instrumental force in his agency's cash management efforts. During FY 1984, he significantly lowered the float time for depositing some $600 million in cash receipts, reduced the outstanding cash travel advances and markedly raised the purchase discount savings by installing an automated warehousing system, for savings of $1 million.

GARY B. SARFIELD
Chief, Assessments and Financial Operations Section

RALPH E. ELOSSER, JR.
Systems Accountant

DENNIS J.CREAMER
Senior Budget and Systems Analyst

GARY T. PETERSON
Assessment Auditor

Award - $4,000

FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C.

This FDIC team is recognized for their exceptional service in the development and implementation of the FDIC liquidation cash management system, which will save a total of $3 million per year.

MARK D. LOOP
Director, Cash Management and Funds Control Division

Award - $4,000

DEPARTMENT OF ENERGY
Washington, D.C.

From 1980 to the present, Mr. Loop has continously provided the Department of Energy and the federal government with dedicated, professional leadership and sound judgment that consistently resulted in improvements in the department's cash management policies and practices. His efforts have resulted in over $50 million of benefits to the government to date, with recurring benefits of $5 million annually.

RALPH J. OLMO
Comptroller

Award - $4,000

U.S. DEPARTMENT OF EDUCATION
Washington, D.C.

As a result of Mr. Olmo's personal involvement and aggressive management, there has been a profound, long range impact on the programs and objectives relating to the cash management objectives, practices, policies and procedures, which have resulted in estimated interest savings of over $13 million.

HELEN O. SHERMAN
Staff Assistant to the Controller

Award - $4,000

DEPARTMENT OF ENERGY
Washington, D.C.

Ms. Sherman has for several years been a major contributor to improved federal cash management for both the Departments of Transportation and Energy. She had the lead responsibility for the development and nationwide implementation of LOC-TFCS and was instrumental in establishing a controller's office perspective to improve outlay forecasting.

DR. WILLIAM L. KENDIG
Director, Office of Financial Management

Award - $6,000

U.S. DEPARTMENT OF THE INTERIOR
Washington, D.C.

Under Dr. Kendig's guidance and direction, the department's cash management efforts have saved between $3.5 and $4.5 million during FY 1984, with longer savings expected during FY 1985. Moreover, improved operating practices relating to cash management were initiated throughout the department.

JOSEPH J. HEIN
Acting Deputy Director
Mortage Insurance Accounting and Servicing Group

Award - $8,000

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Washington, D.C.

Mr. Hein is an outstanding leader in cash management. Working together with Ms. Evans, who is also cited, they obtained the first Treasury-approved lock box, added five additional lock boxes and initiated wire transfer and electronic payment systems. Ongoing interest savings resulting from their outstanding achievements and projected at $26.5 million annually, in addition to an initial one-time savings of $60 million.

DAVID E. NICHOLS
System Accountant
Agriculture Stabilization and Conservation Service

Award - $8,000

U.S. DEPARTMENT OF AGRICULTURE
Washington, D.C.

Mr. Nichols directed an inter-departmental team in a comprehensive cash management study, and based on this, drafted more than 22 specific action plans, coordinated all of them and personally completed many of these plans. Savings of over $1.2 million have already been realized and an additional annual savings of $5.6 million is projected.

GORDON M. TAKESHITA
Director, Finanical Management Division

Award - $8,000

U.S. ENVIRONMENTAL PROTECTION AGENCY
Washington, D.C.

Through Mr. Takeshita's extraordinary capability and skill, executive savings of over $1.9 million in interest expense was realized a result of various initiatives. This surpasses EPA's FY 1984 goal by more than 40%. Foremost among these initiatives was the conversion to EFT for eligible grant recipients.

DAVID V. DUKES
Deputy Assistant Secretary, Finance

Award - $10,000

DEPARTMENT OF HEALTH & HUMAN SERVICES
Washington, D.C.

Mr. Dukes is recognized for his sustained superior leadership, management, and coordination of three complex cash management initiatives. His implementation of a delay-of-drawdown technique with the states have resulted in governmentwide interest savings in excess of $140 million. In addition, because of Mr. Dukes' diligence in assigning top priority to HHS's cash management initiatives, the Department's target of $60 million was exceeded by $14 million in interest savings.

SHIRLEY A. EVANS
Director, Office of Finance and Accounting

Award - $10,000

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Washington, D.C.

Working together with Mr. Hein, who is also cited, Ms. Evans is an outstanding leader in cash management. They obtained the first Treasury-approved lock box, added five additional lock boxes and initiated wire transfer and electronic payment systems. Ongoing interest savings resulting from their outstanding achievements are projected at $26.8 million annually, in addition to an initial one-time savings of $60 million.

LINDA F. VANDENBERG
Director, Office of Finance and Accounting

Award - $10,000

GENERAL SERVICES ADMINISTRATION
Washington, D.C.

Ms. Vandenberg contributed enormously toward the improvement of the cash management posture within GSA. She was the co-author of the OMB Circular, A-125, Prompt Pay. She was responsible for implementing Prompt Pay in GSA, which has resulted in earned discounts of $16.7 million in FY 1983 and $11.7 million in FY 1984. She implemented a travel and transportation payment system which is projected to save $120 million when implemented Governmentwide.

HONORARY AWARD FOR DISTINCTION IN CASH MANAGEMENT

The Honorary Award for Distinction in Cash Management in 1984 is given to three distinguished individuals from both the public and private community for their highly exceptional contributions to Treasury's cash management efforts.

THOMPSON KIMMEL
Board Chief, Finance Branch

MERIT SERVICE PROTECTION
Washington, D.C.

Mr. Kimmel received this honorary award for his dedicated work in developing, adopting, and using state-of-the-art cash management techniques while employed at the Department of Agriculture. Mr. Kimmel was the focal point in expanding USDA's Reform '88 plan to 34 initiatives to generate $7 million in interest savings over and above USDA's original plan. Additionally, through the efforts of a task force which Mr. Kimmel was actively involved in, improvements representing $6.8 million were identified (see David E. Nichols).

JOHN H. KORENKO
Manager, Cash Operations

PRIVATE SECTOR COUNCIL/DUPONT COMPANY

Mr. Korenko, a pro bono executive provided by the DuPont Company in conjunction with the Private Sector Council, recently completed a ten-week project with a Treasury team in the Financial Management Service. The project analyzed the government's collection system and designed a bank management system. The project reaffirmed a Treasury plan which will save an estimated $120 million annually and identified additional savings opportunities in excess of $15 million per year.

JUDITH L. TARDY
Assistant Secretary
for Administration

DEPARTMENT OF HOUSING & URBAN DEVELOPMENT
Washington, D.C.

HUD pioneered the use of lock boxes and electronic funds transfers to improve its cash collection processs. In the area of disbursements, the department was also on the forefront of cash management technology as an early user of wire transfers for payments. Most recently, HUD is piloting a customer-originated automated system--the first entirely "paperless" collection/remittance transaction system in the government. These advances in HUD's cash management program were a result of the leadership, encouragement and vision of Assistant Secretary for Administration Judith L. Tardy. Her efforts commenced in 1981 and have already achieved an estimated $112 million in interest savings. Further, under her leadership, HUD has institutionalized cash management programs that are estimated to save approximately $26.5 million annually in the future (see also Joseph J. Hein and Shirley A. Evans).

SECRETARY'S CERTIFICATE AWARD

The Secretary's Certificate Award in 1984 is given to 12 federal employees in recognition of their outstanding contributions to the advancement of cash management in their agencies.

DONALD CREMIN
Systems Accountant

U.S. RAILROAD RETIREMENT BOARD
Chicago, IL

Mr. Cremin was instrumental in developing and implementing the use of EFT for the collection of Railroad Retirement taxes. This initiative has maximized the use of board funds, eliminated unnecessary float and significantly increased the RRB's earnings on trust fund investments by over $39 million annually.

MICHAEL N. HALL
Accounting Officer

U.S. DEPARTMENT OF ENERGY
San Francisco, CA

Through Mr. Hall's efforts, stronger monitoring techniques in the San Francisco Operations Office for their letter of credits have been developed, cash monitoring reports and procedures have been developed and extensive review studies with recommended actions have been developed and implemented.

GLENN T. HARDISON
Director, Office of Administration and Management

U.S. DEPARTMENT OF LABOR
Dallas, TX

Mr. Hardison developed and implemented the Treasury Financial Communications Systems letter of credits for Employment and Training trainees. During the course of this application, Mr. Hardison decided that a similar approach could be taken with the states. This initiative, which was new to the states, provided for a timely and efficient movement of funds to local governments, with a minimum of paper.

LOUIS C. MANGANIELLO
Chief, Accounting Branch

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

Mr. Manganiello has developed and implemented various cash management techniques to reduce SEC's voucher payment and processing time, expedite the collection of General Fund fee revenue, ensure SEC compliance with Prompt Payment Act mandates and facilitate the timely and accurate payment of payroll obligations.

ROY A. MEREDITH
Chief, Accounting and
Finance Division

DEFENSE COMMUNICATIONS AGENCY
Washington, D.C.

Mr. Meredith's implementation of the Prompt Payment Act has resulted in a near perfect record for the agency. He personaly designed an automated technique for programming an automated schedule of payments. In addition, Mr. Meredith instituted practices which require a monthly analysis of the funds in the hands of cashiers to ensure the sums are appropriate.

TIMOTHY O'LEARY
Deputy Director
Office of Portfolio Management
Washington, D.C.

CARMAN CELLUCCI
Chief, Administrative
and Accounting Section
Washington, D.C.

JOHN KUSHMAN
Systems Accountant
Accounting Policy and Procedure
Staff
Washington, D.C.

DOROTHY WILLIAMS
Director, Office of Financial
Operations
Denver, CO

U.S. SMALL BUSINESS
ADMINISTRATION
Washington, D.C. and Denver, CO

The efforts of these individuals brought an awareness of the importance of cash management to SBA and have to led to the examination and modification of longstanding but very high dollar cash processing systems. This new level of cash management involvement should pave the way to future cash management improvement savings in excess of $1.8 million per year.

WILLIAM REASE
Comptoller

U.S. DEPARTMENT OF LABOR
Washington, D.C.

In his role as comptroller, Mr. Rease has provided leadership in the development of an automated system for small purchases which queues payment transactions to meet Prompt Payment Act requirements, the use of Treasury Financial Communications System letter of credits for all department grant programs and the conversion to wire transfer and lock box systems.

VERNE L. ZIMBELMAN
Chief, Finance and Centralized Accounts Receivable Division

VETERANS ADMINISTRATION
St. Paul, MN

Mr. Zimbelman improved collections processing amounting to $27,900 in an average month. He also took a leading role to improve the transfer of funds to the VA central office for investment for a monthly savings of $84,000. Total savings amount to $1.3 million per year.

JAMES J. ZOK
Deputy Associate Administrator for Maritime Aids

U.S. DEPARTMENT OF TRANSPORTATION
Washington, D.C.

Mr. Zok has initiated or directed the revision of all the Maritime Administration's cash management procedures. He streamlined the agency's payroll system and increased the direct deposit program. He improved the administration of travel funds and introduced EFT payments mechanisms for fees collection.

TREASURY NEWS

epartment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
Thursday, December 6, 1984

Contact: Brien Benson
566-2041

Issuance of Final Customs Rules Regarding Operation of the Caribbean Basin Initiative

Treasury Assistant Secretary John M. Walker, Jr. today announced the release of final Customs Service rules on importation of merchandise from countries covered by the Caribbean Basin Initiative (CBI). The new rules eliminate some procedural requirements and generally streamline the present CBI importation process, which since January 1, 1984 has been governed by temporary Customs regulations that some Caribbean shippers have characterized as burdensome.

The Caribbean Basin Initiative, which allows many Caribbean countries to ship products to the United States without payment of Customs duties provided country-of-origin and procedural requirements are met, is one of the chief Reagan Administration initiatives for strengthening the economies of countries in that region. According to Mr. Walker, the most important change that today's rules make in the procedural requirements is the elimination of detailed statements of manufacturing processes and costs, which under the interim rules are required to accompany each shipment. Caribbean manufacturers have complained that this requirement forces them to disclose confidential business information to U.S. importers. Under an interim provision in today's rules, a less detailed certificate of origin will be required, and the confidential information will be sent directly to Customs, but only if requested. This and other interim provisions addressing the documentation requirements for duty-free shipments will go into effect now, but Treasury will evaluate the changes in light of public comments received.

Also included in today's rulemaking package are a number of final CBI rules and a new proposed rule that would waive the current requirement that a foreign government certification be submitted with each shipment covered by the Generalized System of Preferences (GSP). The result of this change, together with other changes made in the new package, would be the elimination of most procedural distinctions between GSP duty-free treatment and CBI duty-free treatment. As for the final CBI rules included in the package, Mr. Walker described the changes as "liberalizing and clarifying the requirements so that CBI will be easier than ever to use."

"We recognize that Congress expects us to ensure that the requirements of the law for obtaining duty-free treatment are met," said Mr. Walker. "At the same time, we are committed to the success of the CBI, and we shall take whatever steps we can, consistent with our enforcement responsibility, to ensure its success."

R-2950

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE December 10, 1984

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $ 6,805 million of 13-week bills and for $ 6,823 million of 26-week bills, both to be issued on December 13, 1984, were accepted today.

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing March 14, 1985			26-week bills maturing June 13, 1985		
	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/	Price
Low	8.37%	8.67%	97.884	8.55%	9.06%	95.678
High	8.39%	8.69%	97.879	8.57%	9.08%	95.667
Average	8.38%	8.68%	97.882	8.57%	9.08%	95.667

Tenders at the high discount rate for the 13-week bills were allotted 48%.
Tenders at the high discount rate for the 26-week bills were allotted 63%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted	Received	Accepted
Boston	$ 398,720	$ 144,330	$ 380,945	$ 30,945
New York	18,820,160	5,785,970	16,613,665	5,436,555
Philadelphia	25,370	25,370	20,675	18,675
Cleveland	81,615	48,175	73,000	31,150
Richmond	63,125	38,125	59,205	42,565
Atlanta	51,110	42,510	95,195	33,455
Chicago	1,567,585	108,585	1,270,905	187,855
St. Louis	87,070	47,070	79,555	34,555
Minneapolis	51,575	10,575	42,175	15,175
Kansas City	55,450	54,450	52,420	48,420
Dallas	25,790	25,790	21,540	21,540
San Francisco	1,304,620	191,780	1,468,540	607,000
Treasury	281,965	281,965	315,060	315,060
TOTALS	$22,814,155	$6,804,695	$20,492,880	$6,822,950
Type				
Competitive	$19,770,160	$3,760,700	$17,631,180	$3,961,250
Noncompetitive	1,079,940	1,079,940	861,125	861,125
Subtotal, Public	$20,850,100	$4,840,640	$18,492,305	$4,822,375
Federal Reserve	1,608,830	1,608,830	1,600,000	1,600,000
Foreign Official Institutions	355,225	355,225	400,575	400,575
TOTALS	$22,814,155	$6,804,695	$20,492,880	$6,822,950

An additional $69,875 thousand of 13-week bills and an additional $ 79,425 thousand of 26-week bills will be issued to foreign official institutions for new cash.

1/ Equivalent coupon-issue yield.

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TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
December 11, 1984

CONTACT: Brian Benson
(202) 566-2041

STATEMENT BY THE DEPARTMENT OF THE TREASURY

The Department of the Treasury announced today that prior to the December 10 deadline for bid submission, it received two bids for the stock in Erie Lackawanna Inc. owned by the United States. The bids are $8,425,103.94 ($81.18 per share) and $8,058,123.61 ($77.64 per share). The Department is reviewing the bids to determine whether the bidders are "suitable and responsible" as provided in the "Invitation for Bids to Purchase 103,783 Shares of Erie Lackawanna Inc." The Department hopes to make a decision with regard to accepting a bid by December 21, 1984.

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TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 4:00 P.M. December 11, 1984

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $13,600 million, to be issued December 20, 1984. This offering will result in a paydown of about $4,500 million, as the maturing bills total $18,091 million (including the 17-day cash management bills issued December 3, 1984, in the amount of $5,013 million).

The $13,078 million of regular maturities includes $1,330 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities and $3,434 million currently held by Federal Reserve Banks for their own account. The two series offered are as follows:

91-day bills (to maturity date) for approximately $6,800 million, representing an additional amount of bills dated March 22, 1984, and to mature March 21, 1985 (CUSIP No. 912794 GJ 7), currently outstanding in the amount of $14,895 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $6,800 million, to be dated December 20, 1984, and to mature June 20, 1985 (CUSIP No. 912794 HG 2).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing December 20, 1984. Tenders from Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rates of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

R-2953

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239, prior to 1:00 p.m., Eastern Standard time, Monday, December 17, 1984. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must state the par amount of bills bid for, which must be a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m. Eastern time on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions as well as holdings of outstanding bills with the same maturity date as the new offering, e.g., bills with three months to maturity previously offered as six-month bills. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit

of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids for the respective issues. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on December 20, 1984, in cash or other immediately-available funds or in Treasury bills maturing December 20, 1984. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

JU1927

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 4:00 P.M. December 12, 1984

TREASURY TO AUCTION $9,000 MILLION OF 2-YEAR NOTES

The Department of the Treasury will auction $9,000 million of 2-year notes to be issued December 31, 1984. This issue will provide about $1,625 million new cash, as the maturing 2-year notes held by the public amount to $7,385 million, including $399 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities.

In addition to the maturing 2-year notes, there are $3,310 million of maturing 4-year notes held by the public. The disposition of this latter amount will be announced next week. Federal Reserve Banks as agents for foreign and international monetary authorities currently hold $800 million, and Government accounts and Federal Reserve Banks for their own accounts hold $934 million of maturing 2-year and 4-year notes.

The $9,000 million is being offered to the public, and any amounts tendered by Federal Reserve Banks for their own accounts, or as agents for foreign and international monetary authorities, will be added to that amount. Tenders for such accounts will be accepted at the average price of accepted competitive tenders.

Details about the new security are given in the attached highlights of the offering and in the official offering circular.

oOo

Attachment

R-2954

HIGHLIGHTS OF TREASURY
OFFERING TO THE PUBLIC
OF 2-YEAR NOTES
TO BE ISSUED DECEMBER 31, 1984

December 12, 1984

Amount Offered:	
To the public	$9,000 million
Description of Security:	
Term and type of security	2-year notes
Series and CUSIP designation	Series AC-1986 (CUSIP No. 912827 RR 5)
Maturity date	December 31, 1986
Call date	No provision
Interest rate	To be determined based on the average of accepted bids
Investment yield	To be determined at auction
Premium or discount	To be determined after auction
Interest payment dates	June 30 and December 31
Minimum denomination available	$5,000
Terms of Sale:	
Method of sale	Yield Auction
Competitive tenders	Must be expressed as an annual yield, with two decimals, e.g., 7.10%
Noncompetitive tenders	Accepted in full at the average price up to $1,000,000
Accrued interest payable by investor	None
Payment by non-institutional investors	Full payment to be submitted with tender
Payment through Treasury Tax and Loan (TT&L) Note Accounts	Acceptable for TT&L Note Option Depositaries
Deposit guarantee by designated institutions	Acceptable
Key Dates:	
Receipt of tenders	Wednesday, December 19, 1984, prior to 1:00 p.m., EST
Settlement (final payment due from institutions)	
a) cash or Federal funds	Monday, December 31, 1984
b) readily collectible check	Thursday, December 27, 1984

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 12:00 NOON December 14, 1984

TREASURY'S 52-WEEK BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for approximately $8,500 million of 364-day Treasury bills to be dated December 27, 1984, and to mature December 26, 1985 (CUSIP No. 912794 HQ 0). This issue will provide about $225 million new cash for the Treasury, as the maturing 52-week bill was originally issued in the amount of $8,272 million.

The bills will be issued for cash and in exchange for Treasury bills maturing December 27, 1984. In addition to the maturing 52-week bills, there are $11,931 million of maturing bills which were originally issued as 13-week and 26-week bills. The disposition of this latter amount is also being announced today. Federal Reserve Banks as agents for foreign and international monetary authorities currently hold $1,639 million, and Federal Reserve Banks for their own account hold $4,380 million of the maturing bills. These amounts represent the combined holdings of such accounts for the three issues of maturing bills. Tenders from Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rate of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $110 million of the original 52-week issue.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. This series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239, prior to 1:00 p.m., Eastern Standard time, Thursday, December 20, 1984. Form PD 4632-1 should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

R-2955

Each tender must state the par amount of bills bid for, which must be a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m. Eastern time on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves

the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for $1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on December 27, 1984, in cash or other immediately-available funds or in Treasury bills maturing December 27, 1984. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

TREASURY NEWS

epartment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 12:00 NOON December 14, 1984

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $13,600 million, to be issued December 27, 1984. This offering will provide about $1,675 million of new cash for the Treasury, as the maturing bills were originally issued in the amount of $11,931 million. The two series being offered are described below.

Because of the holiday season, these bills will be auctioned on Friday, December 21, 1984, and the weekly bill auction normally scheduled for Monday, December 31, will be held on Friday, December 28. Details about that offering will be announced Friday, December 21.

91-day bills (to maturity date) for approximately $6,800 million, representing an additional amount of bills dated September 27, 1984, and to mature March 28, 1985 (CUSIP No. 912794 GX 6), currently outstanding in the amount of $6,634 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $6,800 million, to be dated December 27, 1984, and to mature June 27, 1985 (CUSIP No. 912794 HH 0).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing December 27, 1984. In addition to the maturing 13-week and 26-week bills, there are $8,272 million of maturing 52-week bills. The disposition of this latter amount is also being announced today. Federal Reserve Banks, as agents for foreign and international monetary authorities, currently hold $1,639 million, and Federal Reserve Banks for their own account hold $4,380 million of the maturing bills. These amounts represent the combined holdings of such accounts for the three issues of maturing bills.

Tenders from Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rates of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $1,529 million of the original 13-week and 26-week issues.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

R-2976

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239, prior to 1:00 p.m., Eastern Standard time, Friday, December 21, 1984. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must state the par amount of bills bid for, which must be a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m. Eastern time on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions as well as holdings of outstanding bills with the same maturity date as the new offering, e.g., bills with three months to maturity previously offered as six-month bills. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit

of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids for the respective issues. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on December 27, 1984, in cash or other immediately-available funds or in Treasury bills maturing December 27, 1984. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

TREASURY NEWS
epartment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
December 17, 1984

Contact: Brien Benson
(202) 566-2041

Treasury Announces Appointment of David Dart Queen
as Deputy Assistant Secretary (Enforcement)

The Department of the Treasury today announced the appointment, effective January 14, 1985, of David D. Queen to the position of Deputy Assistant Secretary of the Treasury for Enforcement. Mr. Queen will report to Assistant Secretary John M. Walker, Jr. and will be responsible for enforcement policy and oversight and program management for the United States Customs Service; the United States Secret Service; the Bureau of Alcohol, Tobacco and Firearms and the Federal Law Enforcement Training Center (FLETC). Among other duties, Mr. Queen will also be responsible for the administration of the Bank Secrecy Act and will serve as the Co-chairman of the Advisory Council for the National Center for State and Local Training at the FLETC.

Mr. Queen, age 37, has served since 1982 as the United States Attorney for the Middle District of Pennsylvania. From 1975 to 1982, he served as an Assistant U.S. Attorney in that office and in the office of the U.S. Attorney for the District of Maryland. He is a 1969 graduate of Ohio Wesleyan University and a 1973 graduate of the Dickinson School of Law, where he was on the Law Review and has served as an Adjunct Professor of Law.

Mr. Queen is a member of the American Bar Association, Federal Bar Association and Pennsylvania Bar Association. He is admitted to practice in the United States Supreme Court, lower federal courts in Maryland and Pennsylvania and in the Supreme Court of Pennsylvania.

In making the announcement, Assistant Secretary Walker said: "David Queen brings to Treasury a wealth of law enforcement experience as a lawyer and administrator. He has had direct day-to-day contact, from the U.S. Attorney's perspective, with the agencies over which he will now have policy and supervisory oversight. Dave will be a valuable member of the Treasury Team."

R-2957

TREASURY NEWS

epartment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE December 17, 1984

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $6,803 million of 13-week bills and for $6,806 million of 26-week bills, both to be issued on December 20, 1984, were accepted today.

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing March 21, 1985			:	26-week bills maturing June 20, 1985		
	Discount Rate	Investment Rate 1/	Price	:	Discount Rate	Investment Rate 1/	Price
Low	7.95%	8.23%	97.990	:	8.13%	8.60%	95.890
High	7.99%	8.27%	97.980	:	8.16%	8.63%	95.875
Average	7.97%	8.25%	97.985	:	8.15%	8.62%	95.880

Tenders at the high discount rate for the 13-week bills were allotted 29%.
Tenders at the high discount rate for the 26-week bills were allotted 25%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted	:	Received	Accepted
Boston	$ 381,230	$ 31,230	:	$ 377,470	$ 27,470
New York	16,848,605	5,738,945	:	15,672,800	5,650,050
Philadelphia	25,500	25,500	:	14,885	14,885
Cleveland	131,095	111,030	:	88,115	63,115
Richmond	47,970	47,970	:	53,995	35,245
Atlanta	44,940	39,940	:	31,310	25,185
Chicago	1,199,380	103,830	:	1,077,280	256,280
St. Louis	53,850	33,570	:	70,250	42,750
Minneapolis	37,005	18,545	:	29,435	28,435
Kansas City	84,965	55,045	:	44,935	43,935
Dallas	32,170	32,170	:	26,215	26,215
San Francisco	908,910	306,740	:	889,195	320,945
Treasury	258,205	258,205	:	271,435	271,435
TOTALS	$20,053,825	$6,802,720	:	$18,647,320	$6,805,945
Type					
Competitive	$16,782,730	$3,531,625	:	$15,358,140	$3,516,765
Noncompetitive	1,041,235	1,041,235	:	755,185	755,185
Subtotal, Public	$17,823,965	$4,572,860	:	$16,113,325	$4,271,950
Federal Reserve	1,740,055	1,740,055	:	1,700,000	1,700,000
Foreign Official Institutions	489,805	489,805	:	833,995	833,995
TOTALS	$20,053,825	$6,802,720	:	$18,647,320	$6,805,945

An additional $85,795 thousand of 13-week bills and an additional $132,605 thousand of 26-week bills will be issued to foreign official institutions for new cash.

1/ Equivalent coupon-issue yield.

R-2958

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 4:00 P.M. December 18, 1984

TREASURY TO AUCTION $6,200 MILLION OF 4-YEAR NOTES

The Department of the Treasury will auction $6,200 million of 4-year notes to be issued December 31, 1984. This issue will provide about $2,925 million new cash, as the maturing 4-year notes held by the public amount to $3,278 million, including $402 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities.

In addition to the maturing 4-year notes, there are $7,385 million of maturing 2-year notes held by the public. The disposition of this latter amount was announced last week. Federal Reserve Banks, as agents for foreign and international monetary authorities, currently hold $800 million, and Government accounts and Federal Reserve Banks for their own accounts hold $966 million of maturing 2-year and 4-year notes. The maturing securities held by Federal Reserve Banks for their own account may be refunded by issuing additional amounts of the new 2-year and 4-year notes at the average prices of accepted competitive tenders.

The $6,200 million is being offered to the public, and any amounts tendered by Federal Reserve Banks for their own account, or as agents for foreign and international monetary authorities, will be added to that amount.

Details about the new security are given in the attached highlights of the offering and in the official offering circular.

oOo

Attachment

R-2959

HIGHLIGHTS OF TREASURY
OFFERING TO THE PUBLIC
OF 4-YEAR NOTES
TO BE ISSUED DECEMBER 31, 1984

December 18, 1984

Amount Offered:

To the public.................... $6,200 million

Description of Security:

Term and type of security......... 4-year notes
Series and CUSIP designation...... Series Q-1988 (CUSIP No. 912827 RS 3)
Maturity date..................... December 31, 1988
Call date......................... No provision
Interest rate..................... To be determined based on the average of accepted bids
Investment yield.................. To be determined at auction
Premium or discount............... To be determined after auction
Interest payment dates............ June 30 and December 31
Minimum denomination available.... $1,000

Terms of Sale:

Method of sale.................... Yield Auction
Competitive tenders............... Must be expressed as an annual yield, with two decimals, e.g., 7.10%
Noncompetitive tenders............ Accepted in full at the average price up to $1,000,000
Accrued interest payable by investor............... None
Payment by non-institutional investors......................... Full payment to be submitted with tender
Payment through Treasury Tax and Loan (TT&L) Note Accounts..... Acceptable for TT&L Note Option Depositaries
Deposit guarantee by designated institutions........... Acceptable

Key Dates:

Receipt of tenders................ Wednesday, December 26, 1984, prior to 1:00 p.m., EST
Settlement (final payment due from institutions)
a) cash or Federal funds........ Monday, December 31, 1984
b) readily collectible check.... Thursday, December 27, 1984

TREASURY NEWS
epartment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE UPON DELIVERY
EXPECTED AT 4:00 P.M. EST

Remarks by
Secretary of the Treasury
Donald T. Regan
at the
Sievers Memorial Lecture Series
New York City
December 19, 1984

Good afternoon. It's a pleasure to be here and an honor to deliver this year's final lecture in the Harry J. Sievers Memorial Lecture Series.

Right off the bat I'd like to clarify something. Contrary to whatever you've read, Governor Cuomo and I are not feuding over the Treasury Department's tax reform proposals. And I think the fact that I've gotten 12 traffic tickets since I arrived in New York two hours ago is simply a run of bad luck.

Today, I'd like to discuss a new idea and make a request. Actually, to be correct, I'd like to talk about an old idea, but one that only recently has truly been placed on the table for discussion.

The idea is tax reform. The request is for an honest appraisal.

For the benefit of anyone who hasn't watched television in the past three weeks, or read a newspaper, or talked to another human being, our recently released tax reform proposal, which we've sent to the President, has generated quite a bit of interest.

We welcome the attention. We expected it. And we welcome the comment of every group, and individual. But so far, judging from what I've heard, read, and in the comments made directly to Treasury, I don't think our proposal has always been given a full appraisal.

Today, I want to give you an understanding of what our plan will do, and the philosophy that motivated and directed our 10 months of study. I hope that when I'm finished, you will see why we believe our recommendations are proper, necessary and overdue.

Our first objective was to assure a revenue neutral proposal. We were, and remain, adamantly opposed to tax reform being a vehicle for raising taxes.

In this regard, as the debate continues, we will resist having tax reform linked with deficit reduction. The issues are separate.

Yes, deficit reduction is critically important, but it is another matter completely. We are attending to it and you will be hearing a lot more about that. It will have first priority, and it will be done in the right way -- by cutting Federal spending. Remember deficits aren't created by undertaxing, they're the aftermath of too much spending.

But tax simplification, on its own, deserves the fullest and fairest consideration by the Congress. And if they don't know it yet, they will soon learn, as we in Treasury already have, that the people are demanding it.

In a survey commissioned by the IRS and conducted earlier this year by the New York firm of Yankelovich, Skelly and White, some of the demands came across loud and clear.

Here's just a few of the highlights:

- About 3 out of 4 taxpayers believe their income taxes are much too high for what they get in return.
- Only 1 in 4 taxpayers believes the federal government is doing a good job in deciding how tax dollars will be spent.
- 4 out of 5 taxpayers believe the present tax system benefits the rich and is unfair to the ordinary working man or woman.
- About 3 in 5 taxpayers believe federal income tax laws are unfair in their particular income situation.
- A majority of taxpayers believes the federal income tax laws and rules are complicated for their situation.
- A majority of respondents perceived that over 25% of the public is cheating on their taxes. In fact, 1 in 4 felt that more than half the public is cheating on taxes to some extent.

Our second objective was distributional neutrality. That is, I told my staff to put together a reform package that would not significantly change the individual tax burdens across income classes -- as well as in total amount.

We know there are philosophical arguments for changing the distribution of tax burden by income class. And the arguments run the gamut -- from those who would shift the burden upwards to the rich -- after all it's only fair that if you earn more you should pay a higher rate; to those who contend that a pure flat tax, that is to say, a single rate, is the only proper method -- after all it's only fair that the same rate apply to all.

That debate will always be with us. But for now, we at Treasury don't want to become embroiled in a philosophical argument that would interfere with fundamental tax reform. Therefore, our working assumption was, and is, that the burdens should not be shifted -- and in our plan, they are not.

With one exception -- one income class. We proposed that families living below the poverty level pay no tax at all. We think compassion dictates this recommendation and, if you will, excuses the slight deviation from a totally neutral distributional impact.

Now, in conjunction with these guiding objectives, our reform goals were fairness, simplicity and the encouragement of economic growth.

We believe the package we've put together, reconciles competing requirements and would have positive, far-reaching effects on our economy, on individual taxpayers, and on businesses.

One of the most important aspects of our proposal is the recommendation that all sources and uses of income be taxed in a uniform and consistent manner. Most Americans would consider that equitable.

It's fair to collect roughly the same amount of income tax from two families with equal incomes. Similarly, two businesses with the same income ought to pay equal amounts of tax.

This treatment is desirable and important in and of itself. But there's another effect equally desirable, equally important -- the promotion of a free market economy.

In his 1982 book "The Spirit of Democratic Capitalism," Michael Novak begins with the following passage: "Of all the systems of political economy which have shaped our history, none has so revolutionalized ordinary expectations of human life -- lengthened the life span, made the elimination of poverty and famine thinkable, enlarged the range of human choice -- as democratic capitalism."

I agree with Mr. Novak to the letter. And the United States, rooted in a free market system, has been the shining success story of that philosophy.

Yet, anyone looking at our tax system today would never believe that this country still has a strong commitment to free market economics. Various deductions, exclusions, credits and preferential rates guide decisions about consumption, investment, production and financing.

The result is economic distortion, a de facto industrial policy, that is totally alien to our founding philosophy, the philosophy of this Administration, and to the thinking and beliefs of the American public.

Rather than being determined by economic rates of return, investment decisions have been driven as much by tax consequences. As a result, our nation's capital and labor do not necessarily flow into the most productive uses. Instead they go where the tax benefits are greatest; even if before-tax return is low, or even negative.

We have, for example, an explosion of tax shelters in movies, orchards, pop records, and the like, where the write-off comes first and economic viability and profit are secondary, if indeed they even count at all.

Our proposals sit firmly on a fundamental belief that markets work better than governments in determining the best allocation of a nation's resources -- in determining what should be produced, how it should be produced, and how the process should be financed.

It's doubtful that tax influences can ever be totally removed from the economic decision-making process. But we can go a long way toward minimizing their interference. Our proposals put decisions back where they belong -- on grounds of economic rationality. Our recommendations would accomplish this shift back to market forces by flushing the system of the distorting factors.

We want to remove all the accummulated clutter -- all the deductions, credits, loopholes, shelters, and everything else thought up by creative lawyers and accountants. And our goal is to bring down high tax rates, which also interfere with market forces by affecting choices about working, saving, investing and producing.

We want every American to know that if he works longer, or harder, if he's more creative, or more innovative, then he is going to keep more of the fruits of his labor.

This whole idea is so conservative, it's radical. Imagine in this day and age trying to get the free market to work.

Would our proposals accomplish this? To answer that I asked Internal Revenue Commissioner Roscoe Egger to work up some comparisons of tax liability -- using current law, and our proposal.

His staff randomly selected 257 1983 tax returns from some 5000 on hand in his Statistics of Income Inventory. The sample includes returns filed in January, February and March. It does not include returns submitted at the end of the filing season, which tend to be the more complicated and higher-income returns.

Therefore, admittedly, the findings vary somewhat from our projections in the Tax Reform package. But I still want to cite this survey because it offers some real, empirical evidence of our proposals' impact on taxpaying Americans.

The sampling included returns from all the major filing categories -- the 1040EZ, the 1040A and the 1040. The returns were recomputed for 1986. Here's what was found:

Out of 40 returns using the 1040EZ, 26 would have a lower tax liability under our proposal. On 3 of the returns where taxes would be owed under current law, our proposal would wipe out those tax liabilities. In no case in our comparison did tax liability increase as a result of our proposal.

For those returns using the form 1040A, 24 out of 35 would see a reduction in taxes under our proposal, while only 2 would have increases, and those increases would be very slight.

The sample included 182 returns using the form 1040, which is utilized by itemizing taxpayers. Under our proposal, 147 taxpayers, or more than 80 percent, would see a reduction in tax liability. Only 29 taxpayers would see an increase.

Summarizing these computations, we find 198 taxpayers out of 257, or 77 percent, would owe less under our proposal. Approximately 10-1/2 percent would have no change. And only thirty-one, or about 12-1/2 percent, would owe more in taxes in 1986.

These results come as no surprise to me. Our plan is clearly in the best interest of the vast majority of American taxpayers.

Unfortunately, many have grown quite fond of, or more accurately, quite dependent on, this or that particular aspect of the tax code.

There are any number of people and industries benefiting from some provision of our current tax system at the expense of others and at the expense of a higher degree of economic efficiency.

As you might expect, some of these present beneficiaries are screaming over the proposed removal of their pet tax preference. It's going to be interesting to note some of the arguments.

We will now find out which businesses, individuals and financiers genuinely believe in the free market, or really want to have government subsidies.

We will now find out which labor leaders really represent working Americans, or the poor and the disadvantaged about whom they talk so much, and which of them are just servants to some special groups out to preserve a tax break.

We will now find out which Americans, who so loudly complain about the inequities of the tax system, are really interested in improvement, and which of them just want to hang on to, as one put it to me, "our edge."

We will now find out which of our politicians are really interested in helping all Americans, and which politicians are merely beholden to special constituencies to which they owe past and potential electoral triumphs.

They all have their chance now -- with Treasury's tax plan that has drawn support from all those who favor fair and neutral taxation. And this support comes from across the spectrum. We have conservative economists joined by liberals. We're supported on the right and the left. Our plan has been favorably received by some business groups and there's more to come.

In the political arena we've had favorable comments from Democratic Senators and Governors, and our plan has been praised by Congressmen on both sides of the aisle.

Don't let me be misunderstood here. I am not claiming perfection for our plan nor am I attempting to pre-empt legitimate comments from those who believe some of our proposals are harmful.

But an individual, or group, or some industry can't come to us stating simply that one of our proposals would have undesirable effects on them, or cause their taxes to go up, and expect us to rewrite the pertinent part of our plan.

Come talk to us. We'll listen and we'll take a close look. I guarantee that. But remember, there's a difference between an individual undesirable effect and inequity.

So, even before you come talk to us, do us both a favor. There's been a lot of rhetoric and loose claims since the plan was released. I ask that you calculate the effects of the entire proposal; not simply one aspect that could possibly have negative effects if considered by itself.

I am convinced that a complete analysis would cause many of the "reflex critics" to rethink their opposition.

Let me touch on a few of the more visible controversies.

First, a good many businessmen, industry representatives and some economists are decrying the loss of Accelerated Cost Recovery, and its replacement with real depreciation, and the elimination of the Investment Tax Credit.

We're hearing, too, that RCRS will be no help to our industries with competition aboard and that this proposal is a reversal of our 1981 tax laws.

Now, I admit that some industries making major use of ACRS and the ITC would experience adverse tax effects if those provisions were eliminated. But to gauge the effects in that light only is to work with only half the equation.

Crank into your computation a sharply reduced top tax rate, a massive 50 percent deduction on dividends, the indexing of capital gains, inventories, interest and depreciation, as well.

Concerning international competitiveness, our calculations -- using RCRS and the indexing provisions -- actually show many businesses and industries would have their positions enhanced.

We calculated two normal depreciation situations -- one with a ten-year holding period and one with a faster turnaround of three years. In both cases, the companies find themselves significantly better off.

In all these cases we're waiting to be shown otherwise. But I submit that when the entire equation is used, many of the intitial complaints will evaporate. Most industries are going to find they will come out better under our proposal than under current law. Some already have found this out and have said so.

As far as being a reversal of 1981 policy, our recommendation is much more a continuation of a constant philosophy. Inflation in the 1970s was a tremendous distorting factor in the economy. ACRS and the ITC were responses to that problem. They were a form of tax cuts. But inflation is now down, and we hope, will continue down. But this is tax simplification and reform.

That 1981 approach, useful as it was under the circumstances, can be bettered. Effective tax rates depend on the rate of inflation, and its impact varies widely across industries, distorting resource allocation. Frankly, to many companies not only did we give a tax cut to compensate for inflation, but we wiped out their taxes altogether. Now, that's not fair in anybody's book.

What we have proposed in our real cost recovery system is to address the inflation problem directly by making, through indexing, the real value of depreciation allowances independent of the rate of inflation.

Having done that, we can return to a system of depreciation allowances that tracks much more closely the decline in the value of assets, and avoid the front loading of deductions and credits.

This is important in an economy that depends on competition and innovation because many new firms are not immediately profitable and cannot presently use deductions and credits, while their established competitors can use those deductions and credits and are therefore able to artificially out-compete the new fledgling firms.

Another contention that deserves more than a cursory examination by the critics is the claim that our proposals would destroy capital formation. One recommendation at question is our proposed treatment of capital gains.

First, let me make clear that we are not increasing the tax rate on real capital gains by 75 percent. True, we are proposing to tax real capital gains like ordinary income.

But note that I said <u>real</u> capital gains. Under present law you pay tax on the increase in the dollar value of an investment, without regard to what has happened to prices in the meantime. Unless inflation is absolutely zero -- something even this Administration does not predict -- real capital gains are significantly less than nominal capital gains.

Indeed, during much of the 1970s inflation outran increases in stock prices and investors paid capital gains tax even though they experienced real losses. Our proposal would not let that happen. A high income investor would pay up to 35 percent on real gains, but no one would ever pay tax on real losses.

And depending on the rate of inflation, the real rate of appreciation, and the period in which the asset is held, the tax under even a 35 percent rate on real gains could easily be much less than under the present 20 percent tax on nominal gains.

Let me mention also our proposal to increase the ceiling on Individual Retirement Accounts, and, once again, the corporate deduction for half of its dividends paid.

So, quite the contrary to inhibiting capital formation, I believe our overall plan would prove a stimulus.

Finally, being in New York, where some state officials have been especially vocal, I can't pass up the opportunity to address the critics of our proposal to eliminate the deduction for state and local taxes.

This particular recommendation is being called unfair to some taxpayers and devastating to state and local governments. The protests are heard most clearly from some high-tax states, like New York, which consider an offsetting federal tax break essential.

In the first place, contrary to being unfair, our proposal is quite fair, while the current situation in inequitable.

Thirteen states have higher than average deductions for state and local taxes. The other thirty-seven states have below average deductions, and thus are subsidizing the cost of the few high tax states.

Why should the citizens of a low taxing state have to subsidize the cost of services afforded those of a higher taxing state?

Also, our proposal does not simply redress differences across state lines, but within state borders. For example, in this state, 44 percent of taxpayers itemize deductions. The other 56 percent, who generally are lower-income families, do not itemize, and are thus subsidizing -- in the form of a higher-than-necessary federal tax -- the generally better-off minority. Is that the fairness that Governor Cuomo wants?

Finally, many of the taxpayers who are able to use the state and local tax deduction aren't going to lose anything if that deduction is disallowed.

Let's take New York again as the example. Under current law, the top federal tax rate is 50 percent and the top state rate is 10 percent. A wealthy taxpayer who deducts his state taxes pays a combined effective marginal rate of 55 percent.

Under Treasury's proposal, deductibility is eliminated, but remember, the top federal rate is slashed -- to 35 percent. The wealthy taxpayer's combined marginal rate is now down to 45 percent -- 10 full percentage points lower than under current law.

So once again, I would ask everyone in New York, from the top down, to do your arithmetic before you howl.

As to our proposal devastating state coffers, this, as well, simply isn't necessarily the case.

Thirty-five states use federal adjusted gross income in determining their tax base. Broadening of the federal income tax base, as our proposal would do, would initially increase the tax receipts of these states.

Our proposed changes in the corporate tax base will also increase tax receipts for many of the 45 states that have corporate income taxes -- a wonderful opportunity for Governor Cuomo to lead the fight for lowering New York's extraordinarily high taxes. Why, who knows? Even New York might once again attract new businesses and investments as it once did.

Our plan also takes 2-1/2 million of the poorest taxpayers off the tax rolls altogether. This will help ease the pressure in many states and localities for services to poor residents.

And with our raising of the zero-bracket amount for single heads of household, we will do something for those citizens who bear a heavy responsibility in difficult circumstances.

All of these should be major considerations to those states whose tax rates have caused an exodus of high-income taxpayers and industry.

So these are a few of what I earlier termed the more visible controversies. There are others. But in all these cases, I truly believe, that our reform proposal holds the high ground.

What we recommend is fair, it's simpler, it's market-oriented, and it's growth oriented. And we think it is what the public is demanding.

Our proposal addresses many concerns. It is in the best interest of the vast majority of American taxpayers, on both an individual basis and on the basis of a strong, vibrant economy.

We hope our plan gets the honest appraisal it deserves. It's time for action. We intend to do everything possible to see to it that tax reform moves forward.

Thank you.

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-204

EMBARGOED UNTIL 2:45 p.m. EST
December 19, 1984

Contact: Roger Bolton
566-5252

STATEMENT BY SECRETARY DONALD T. REGAN
PRESS CONFERENCE IN NEW YORK CITY
DECEMBER 19, 1984

I want to thank Dr. Hoxie and Father Doyle for the opportunity to be here for my first major address outside Washington since I sent the Treasury Department's tax reform proposal to President Reagan.

I'm happy to be here in New York this afternoon, where, it's safe to say, the Treasury Department's tax reform proposal has generated a great deal of interest. I'll be dealing with some of the specific New York concerns in my speech later this afternoon at the Sievers Memorial Lecture Series here at Fordham University.

You should have copies of that speech available to you and I'll be glad to take any questions you may have on New York concerns or other issues in just a minute.

First though, I want to make a statement that I hope will convey a message that needs to be heard far beyond the Hudson:

We at Treasury took extreme care in the drafting of our proposal to ensure that no one would be penalized for making decisions based on current law.

Accordingly, we have drafted extensive transition rules including effective dates which would not significantly disrupt existing investments or current decisions regarding future investments. These dates are all shown in our report.

We do not want any such disruptions to stem from our proposals, and are sincerely interested in having brought to our attention any proposed effective date that can be shown to have such an effect.

In summary, we want to ensure that transition to the modified flat tax proposal causes as little economic dislocation as possible, and we stand ready to modify any proposed effective date that is demonstrated to be unduly harsh.

Now, I'll be glad to take your questions.

R-2961

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE December 19, 1984

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TREASURY

RESULTS OF AUCTION OF 2-YEAR NOTES

The Department of the Treasury has accepted $9,009 million of $21,417 million of tenders received from the public for the 2-year notes, Series AC-1986, auctioned today. The notes will be issued December 31, 1984, and mature December 31, 1986.

The interest rate on the notes will be 9-7/8%. The range of accepted competitive bids, and the corresponding prices at the 9-7/8% interest rate are as follows:

	Yield	Price
Low	9.87%	100.009
High	9.93%	99.902
Average	9.92%	99.920

Tenders at the high yield were allotted 23%.

TENDERS RECEIVED AND ACCEPTED (In Thousands)

Location	Received	Accepted
Boston	$ 273,510	$ 63,510
New York	18,155,165	7,930,695
Philadelphia	32,750	32,750
Cleveland	59,880	58,110
Richmond	79,580	47,580
Atlanta	65,595	50,515
Chicago	1,057,095	310,865
St. Louis	148,620	124,350
Minneapolis	60,920	60,920
Kansas City	103,180	99,950
Dallas	32,345	30,035
San Francisco	1,342,270	193,070
Treasury	6,155	6,155
Totals	$21,417,065	$9,008,505

The $9,009 million of accepted tenders includes $851 million of noncompetitive tenders and $8,158 million of competitive tenders from the public.

In addition to the $9,009 million of tenders accepted in the auction process, $396 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $600 million of tenders was also accepted at the average price from Government accounts and Federal Reserve Banks for their own account in exchange for maturing securities.

R-2962

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE December 20, 1984

RESULTS OF TREASURY'S 52-WEEK BILL AUCTION

Tenders for $ 8,501 million of 52-week bills to be issued December 27, 1984, and to mature December 26, 1985, were accepted today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate (Equivalent Coupon-Issue Yield)	Price
Low -	8.34%	9.03%	91.567
High -	8.39%	9.09%	91.517
Average -	8.38%	9.08%	91.527

Tenders at the high discount rate were allotted 84%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted
Boston	$ 355,380	$ 26,380
New York	16,139,200	7,964,400
Philadelphia	4,135	4,135
Cleveland	28,450	28,450
Richmond	43,155	30,835
Atlanta	10,830	10,830
Chicago	946,720	123,960
St. Louis	44,450	35,450
Minneapolis	6,725	6,725
Kansas City	29,655	27,655
Dallas	13,805	13,805
San Francisco	835,650	179,730
Treasury	48,165	48,165
TOTALS	$18,506,320	$8,500,520
Type		
Competitive	$16,440,355	$6,434,555
Noncompetitive	255,965	255,965
Subtotal, Public	$16,696,320	$6,690,520
Federal Reserve	1,700,000	1,700,000
Foreign Official Institutions	110,000	110,000
TOTALS	$18,506,320	$8,500,520

An additional $75,000 thousand of the bills will be issued to foreign official institutions for new cash.

R-2963

TREASURY NEWS
partment of the Treasury • Washington, D.C. • Telephone 566-204

FOR IMMEDIATE RELEASE
December 21, 1984

CONTACT: Brien Benson
(202) 566-2041

TREASURY ANNOUNCES SALE OF 103,783 SHARES OF ERIE LACKAWANNA INC. COMMON STOCK

The Treasury Department announced today that it will sell the 103,783 shares of Erie Lackawanna Inc. ("Erie") common stock now held by the United States to United Erie Partnership, Ltd. ("United Erie") for its bid price of $8,425,103.94 ($81.18 per share). The Treasury Department received two bids for this stock and United Erie's bid was the high bid. The sale is expected to be consummated in the near future.

R-2964

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 12:00 NOON December 21, 1984

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $14,000 million, to be issued January 3, 1985. This offering will provide about $1,500 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of $12,505 million, including $790 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities and $2,562 million currently held by Federal Reserve Banks for their own account. The two series offered are as follows:

91-day bills (to maturity date) for approximately $7,000 million, representing an additional amount of bills dated October 4, 1984, and to mature April 4, 1985 (CUSIP No. 912794 GY 4), currently outstanding in the amount of $6,050 million, the additional and original bills to be freely interchangeable.

183-day bills for approximately $7,000 million, to be dated January 3, 1985, and to mature July 5, 1985 (CUSIP No. 912794 HR 8).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing January 3, 1985. Tenders from Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rates of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239, prior to 1:00 p.m., Eastern Standard time, Friday, December 28, 1984. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must state the par amount of bills bid for, which must be a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m. Eastern time on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions as well as holdings of outstanding bills with the same maturity date as the new offering, e.g., bills with three months to maturity previously offered as six-month bills. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit

of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids for the respective issues. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on January 3, 1985, in cash or other immediately-available funds or in Treasury bills maturing January 3, 1985. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE December 21, 1984

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $6,809 million of 13-week bills and for $6,802 million of 26-week bills, both to be issued on December 27, 1984, were accepted today.

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing March 28, 1985			26-week bills maturing June 27, 1985		
	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/	Price
Low	7.74%a/	8.00%	98.044	8.00%	8.45%	95.956
High	7.76%	8.03%	98.038	8.06%	8.52%	95.925
Average	7.75%	8.01%	98.041	8.04%	8.50%	95.935

a/ Excepting 1 tender of $2,000,000.

Tenders at the high discount rate for the 13-week bills were allotted 78%.
Tenders at the high discount rate for the 26-week bills were allotted 66%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted	Received	Accepted
Boston	$ 378,650	$ 28,650	$ 369,255	$ 60,755
New York	13,615,585	5,803,500	12,652,790	5,805,590
Philadelphia	22,830	22,830	14,165	14,165
Cleveland	114,955	64,955	79,980	78,280
Richmond	31,120	31,120	41,780	31,780
Atlanta	41,410	41,385	31,150	31,150
Chicago	1,587,390	234,755	1,289,655	254,115
St. Louis	55,360	34,335	52,975	21,275
Minneapolis	5,980	5,980	8,765	8,765
Kansas City	42,450	40,450	43,790	43,790
Dallas	22,340	22,340	9,215	9,215
San Francisco	888,230	237,510	725,970	220,210
Treasury	241,640	241,640	223,170	223,170
TOTALS	$17,047,940	$6,809,450	$15,542,660	$6,802,260
Type				
Competitive	$14,355,435	$4,116,945	$12,961,815	$4,221,415
Noncompetitive	878,055	878,055	596,645	596,645
Subtotal, Public	$15,233,490	$4,995,000	$13,558,460	$4,818,060
Federal Reserve	1,405,150	1,405,150	1,350,000	1,350,000
Foreign Official Institutions	409,300	409,300	634,200	634,200
TOTALS	$17,047,940	$6,809,450	$15,542,660	$6,802,260

1/ Equivalent coupon-issue yield.

R-2966

TREASURY NEWS
epartment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE December 24, 1984

TREASURY TO AUCTION $10,000 MILLION
OF 7-YEAR NOTES AND 19-YEAR 10-MONTH BONDS

The Department of the Treasury will auction $5,750 million of 7-year notes and $4,250 million of 19-year 10-month bonds to raise new cash. Additional amounts of the securities may be issued to Federal Reserve Banks as agents for foreign and international monetary authorities at the average price of accepted competitive tenders.

Details about the new securities are given in the attached highlights of the offering and in the official offering circulars.

Attachment

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R-2967

OF 7-YEAR NOTES AND 19-YEAR 10-MONTH BONDS

December 24, 1984

Amount Offered:		
To the public	$5,750 million	$4,250 million
Description of Security:		
Term and type of security	7-year notes	19-year 10-month bonds (reopening)
Series and CUSIP designation....	Series D-1992 (CUSIP No. 912827 RT 1)	11-5/8% Bonds of 2004 (CUSIP No. 912810 DM 7)
Issue date	January 4, 1985	January 8, 1985
Maturity date....................	January 15, 1992	November 15, 2004
Call date........................	No provision	No provision
Interest rate....................	To be determined based on the average of accepted bids	11-5/8%
Investment yield.................	To be determined at auction	To be determined at auction
Premium or discount..............	To be determined after auction	To be determined after auction
Interest payment dates..........	July 15 and January 15 (first payment on July 15, 1985)	May 15 and November 15 (first payment on May 15, 1985)
Minimum denomination available..	$1,000	$1,000
Terms of Sale:		
Method of sale...................	Yield Auction	Yield Auction
Competitive tenders.............	Must be expressed as an annual yield, with two decimals, e.g., 7.10%	Must be expressed as an annual yield, with two decimals, e.g., 7.10%
Noncompetitive tenders..........	Accepted in full at the average price up to $1,000,000	Accepted in full at the average price up to $1,000,000
Accrued interest payable by investor	None	$22.39551 per $1,000 (from October 30, 1984, to January 8, 1985)
Payment through Treasury Tax and Loan (TT&L) Note Accounts...	Acceptable for TT&L Note Option Depositaries	Acceptable for TT&L Note Option Depositaries
Payment by non-institutional investors......................	Full payment to be submitted with tender	Full payment to be submitted with tender
Deposit guarantee by designated institutions.........	Acceptable	Acceptable
Key Dates:		
Receipt of tenders.............	Wednesday, January 2, 1985, prior to 1:00 p.m., EST	Thursday, January 3, 1985, prior to 1:00 p.m., EST
Settlement (final payment due from institutions)		
a) cash or Federal funds......	Friday, January 4, 1985	Tuesday, January 8, 1985
b) readily collectible check..	Wednesday, January 2, 1985	Friday, January 4, 1985

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE December 26, 1984

RESULTS OF AUCTION OF 4-YEAR NOTES

The Department of the Treasury has accepted $ 6,206 million of $14,948 million of tenders received from the public for the 4-year notes, Series Q-1988, auctioned today. The notes will be issued December 31, 1984, and mature December 31, 1988.

The interest coupon rate on the notes will be 10-5/8%. The range of accepted competitive bids, and the corresponding prices at the 10-5/8% coupon rate are as follows:

	Yield	Price
Low	10.71%	99.729
High	10.74%	99.634
Average	10.72%	99.697

Tenders at the high yield were allotted 53%.

TENDERS RECEIVED AND ACCEPTED (In Thousands)

Location	Received	Accepted
Boston	$ 269,893	$ 9,893
New York	12,570,447	5,400,117
Philadelphia	9,200	9,200
Cleveland	173,066	162,491
Richmond	21,245	14,895
Atlanta	30,419	21,539
Chicago	979,242	235,532
St. Louis	78,782	76,782
Minneapolis	11,068	10,598
Kansas City	47,142	44,142
Dallas	7,666	7,666
San Francisco	749,012	212,482
Treasury	1,046	1,046
Totals	$14,948,228	$6,206,383

The $6,206 million of accepted tenders includes $ 378 million of noncompetitive tenders and $ 5,828 million of competitive tenders from private investors. It also includes $220 million of tenders at the average price from Federal Reserve Banks as agents for foreign and international monetary authorities in exchange for maturing securities.

In addition to the $6,206 million of tenders accepted in the auction process, $366 million of tenders were accepted at the average price from Government accounts and Federal Reserve Banks for their own account in exchange for maturing securities.

R-2968

TREASURY NEWS
epartment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE

December 27, 1984

AMENDED RESULTS OF TREASURY'S 4-YEAR NOTE AUCTION

The announcement of December 26 of the results of the 4-year note auction inadvertently stated that $220 million of tenders from Federal Reserve Banks as agents for foreign and international monetary authorities was included in the accepted public amount of $6,206 million. In fact, and in accordance with usual Treasury practice, the $220 million accepted was in addition to the $6,206 million accepted from the public.

All other particulars in the announcement remain the same.

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R-2969

TREASURY NEWS
epartment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE

CONTACT: Brien Benson
566-5252

PRESS RELEASE

December 28, 1984

U.S. PROVIDES BRIDGE LOAN TO ARGENTINA

The Treasury Department announced today that it has provided $500 million to Argentina in short-term bridge financing through the Exchange Stabilization Fund. This financing was made available under an arrangement announced on December 3, 1984, in support of the economic program which Argentina has negotiated with the International Monetary Fund (IMF).

The Treasury Department's bridge financing will be repaid in full from balance of payments financing Argentina will receive from the IMF under a new standby arrangement and the Compensatory Financing Facility. Disbursements by the IMF are scheduled to begin in January 1985.

The Argentine economic program was approved by the IMF Executive Board today. This program is being supported by financing from the international banking community and multilateral financial institutions.

R-2970

TREASURY NEWS
partment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
FRIDAY, DECEMBER 28, 1984

CONTACT: Brien Benson
566-5252

TREASURY ANNOUNCES $4.1 MILLION SETTLEMENT WITH F.A.G. BEARING

Assistant Secretary of the Treasury John M. Walker, Jr., today announced that the Treasury Department has agreed to settle a pending civil penalty case with the payment of $4.1 million from the F.A.G. Bearings Corporation, of Stamford, Connecticut; F.A.G. Bearings, Limited, of Ontario, Canada; and F.A.G. Kugelfischer Georg Schafer KGaA, of West Germany.

This settlement was reached after a Customs Service investigation discovered that import procedures employed by F.A.G. had led to the Federal Government's losing over $1 million in import duties. The Customs investigation revealed that F.A.G. had given Customs false invoice values and false descriptions of bearings and components that were imported during the years 1972 through 1978.

The payment settles all the Federal Government's claims against F.A.G. for alleged violations of section 592 of the Tariff Act.

In announcing the settlement, Assistant Secretary Walker said, "The Customs Service is responsible for protecting the revenue and is doing so with special vigor in the area of commercial fraud which remains a priority of the Customs Service and is the focus of activity of Operation Tripwire. This is one of the largest civil penalties we have ever collected. We are not going to permit industrial concerns to deprive the American people of revenues the Congress has set."

R-2971

TREASURY NEWS
epartment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE December 28, 1984

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $ 7,015 million of 13-week bills and for $ 7,008 million of 26-week bills, both to be issued on January 3, 1985, were accepted today.

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing April 4, 1985			:	26-week bills maturing July 5, 1985		
	Discount Rate	Investment Rate 1/	Price	:	Discount Rate	Investment Rate 1/	Price
Low	7.81%	8.08%	98.026	:	8.15%	8.62%	95.857
High	7.87%	8.14%	98.011	:	8.20%	8.67%	95.832
Average	7.86%	8.13%	98.013	:	8.19%	8.66%	95.837

Tenders at the high discount rate for the 13-week bills were allotted 89%.
Tenders at the high discount rate for the 26-week bills were allotted 62%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted	:	Received	Accepted
Boston	$ 398,345	$ 223,345	:	$ 376,020	$ 26,020
New York	13,286,305	5,900,565	:	14,451,890	5,458,330
Philadelphia	31,500	31,500	:	12,455	12,455
Cleveland	34,495	34,495	:	22,720	22,720
Richmond	43,350	43,350	:	57,975	33,885
Atlanta	59,715	51,425	:	41,140	37,340
Chicago	762,465	145,745	:	866,280	259,450
St. Louis	75,600	55,600	:	85,600	40,900
Minneapolis	48,715	48,715	:	30,490	30,490
Kansas City	54,350	54,350	:	47,170	45,270
Dallas	37,780	32,230	:	26,875	26,875
San Francisco	1,193,910	71,910	:	1,261,665	669,865
Treasury	321,530	321,530	:	344,250	344,250
TOTALS	$16,348,060	$7,014,760	:	$17,624,530	$7,007,850
Type					
Competitive	$13,526,405	$4,193,105	:	$15,181,740	$4,565,060
Noncompetitive	1,116,050	1,116,050	:	795,985	795,985
Subtotal, Public	$14,642,455	$5,309,155	:	$15,977,725	$5,361,045
Federal Reserve	1,395,110	1,395,110	:	1,200,000	1,200,000
Foreign Official Institutions	310,495	310,495	:	446,805	446,805
TOTALS	$16,348,060	$7,014,760	:	$17,624,530	$7,007,850

An additional $21,305 thousand of 13-week bills and an additional $ 25,995 thousand of 26-week bills will be issued to foreign official institutions for new cash.

1/ Equivalent coupon-issue yield.

R-2972

TREASURY NEWS

partment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 11:00 a.m. January 2, 1985

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $14,000 million, to be issued January 10, 1985. This offering will provide about $1,300 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of $12,694 million, including $784 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities and $2,713 million currently held by Federal Reserve Banks for their own account. The two series offered are as follows:

91-day bills (to maturity date) for approximately $7,000 million, representing an additional amount of bills dated October 11, 1984, and to mature April 11, 1985 (CUSIP No. 912794 GZ 1), currently outstanding in the amount of $6,232 million, the additional and original bills to be freely interchangeable.

182-day bills (to maturity date) for approximately $7,000 million, representing an additional amount of bills dated July 12, 1984, and to mature July 11, 1985 (CUSIP No. 912794 HJ 6), currently outstanding in the amount of $8,408 million, the additional and original bills to be freely interchangeable.

Both series of bills will be issued for cash and in exchange for Treasury bills maturing January 10, 1985. Tenders from Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rates of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239, prior to 1:00 p.m., Eastern Standard time, Monday, January 7, 1985. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must state the par amount of bills bid for, which must be a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m. Eastern time on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions as well as holdings of outstanding bills with the same maturity date as the new offering, e.g., bills with three months to maturity previously offered as six-month bills. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit

of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids for the respective issues. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on January 10, 1985, in cash or other immediately-available funds or in Treasury bills maturing January 10, 1985. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE January 2, 1985

RESULTS OF AUCTION OF 7-YEAR NOTES

The Department of the Treasury has accepted $ 5,752 million of $12,130 million of tenders received from the public for the 7-year notes, Series D-1992, auctioned today. The notes will be issued January 4, 1985, and mature January 15, 1992.

The interest rate on the notes will be 11-5/8%. The range of accepted competitive bids, and the corresponding prices at the 11-5/8% interest rate are as follows:

	Yield	Price
Low	11.63%	99.957
High	11.70%	99.628
Average	11.67%	99.769

Tenders at the high yield were allotted 16%.

TENDERS RECEIVED AND ACCEPTED (In Thousands)

Location	Received	Accepted
Boston	$ 229,790	$ 18,590
New York	10,547,016	5,159,856
Philadelphia	3,100	3,100
Cleveland	35,764	35,764
Richmond	10,594	5,594
Atlanta	18,797	16,797
Chicago	676,010	274,450
St. Louis	61,604	59,764
Minneapolis	2,453	2,453
Kansas City	35,432	35,432
Dallas	8,263	5,743
San Francisco	500,681	133,401
Treasury	924	924
Totals	$12,130,428	$5,751,868

The $5,752 million of accepted tenders includes $ 358 million of noncompetitive tenders and $5,394 million of competitive tenders from the public.

R-2974

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE January 3, 1985

RESULTS OF AUCTION OF 19-YEAR 10-MONTH TREASURY BONDS

The Department of the Treasury has accepted $4,283 million of $12,672 million of tenders received from the public for the 11-5/8% 19-year 10-month Bonds of 2004, auctioned today. The bonds will be issued January 8, 1985, and mature November 15, 2004.

The range of accepted competitive bids was as follows:

	Yield	Price
Low	11.85%	98.205
High	11.86%	98.130
Average	11.86%	98.130

Tenders at the high yield were allotted 82%.

TENDERS RECEIVED AND ACCEPTED (In Thousands)

Location	Received	Accepted
Boston	$ 188,291	$ 1,291
New York	11,446,574	4,051,614
Philadelphia	667	667
Cleveland	20,633	2,633
Richmond	8,294	4,294
Atlanta	6,066	3,066
Chicago	503,852	110,432
St. Louis	80,559	80,559
Minneapolis	2,201	2,201
Kansas City	23,236	21,236
Dallas	3,003	1,003
San Francisco	388,612	3,612
Treasury	127	127
Totals	$12,672,115	$4,282,735

The $4,283 million of accepted tenders includes $296 million of noncompetitive tenders and $3,987 million of competitive tenders from the public.

R-2975

TREASURY NEWS

epartment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE

January 7, 1985

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $7,009 million of 13-week bills and for $7,062 million of 26-week bills, both to be issued on January 10, 1985, were accepted today.

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing April 11, 1985			26-week bills maturing July 11, 1985		
	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/	Price
Low	7.75%	8.01%	98.041	8.00%	8.45%	95.956
High	7.79%	8.06%	98.031	8.02%	8.48%	95.945
Average	7.78%	8.05%	98.033	8.02%	8.48%	95.945

Tenders at the high discount rate for the 13-week bills were allotted 47%.
Tenders at the high discount rate for the 26-week bills were allotted 54%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted	Received	Accepted
Boston	$ 605,655	$ 255,655	$ 607,570	$ 50,965
New York	15,744,720	5,249,440	19,406,615	5,422,800
Philadelphia	36,910	36,910	21,450	21,450
Cleveland	116,970	68,720	105,230	40,230
Richmond	60,440	53,910	114,795	80,855
Atlanta	86,540	67,445	119,660	44,140
Chicago	1,153,340	241,390	1,321,800	224,540
St. Louis	72,270	52,270	66,790	26,790
Minneapolis	47,410	47,410	46,125	20,085
Kansas City	78,850	78,850	76,500	73,500
Dallas	72,965	45,315	54,470	34,470
San Francisco	1,694,550	449,550	2,143,765	589,325
Treasury	361,750	361,750	432,535	432,535
TOTALS	$20,132,370	$7,008,615	$24,517,305	$7,061,685
Type				
Competitive	$17,138,110	$4,314,355	$21,622,525	$4,466,905
Noncompetitive	1,367,330	1,367,330	1,095,935	1,095,935
Subtotal, Public	$18,505,440	$5,681,685	$22,718,460	$5,562,840
Federal Reserve	1,432,935	1,132,935	1,300,000	1,000,000
Foreign Official Institutions	193,995	193,995	498,845	498,845
TOTALS	$20,132,370	$7,008,615	$24,517,305	$7,061,685

An additional $56,005 thousand of 13-week bills and an additional $153,455 thousand of 26-week bills will be issued to foreign official institutions for new cash.

1/ Equivalent coupon-issue yield.

R-2976

TREASURY NEWS
epartment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
January 8, 1985

CONTACT: Roger Bolton
(202) 566-2041

STATEMENT OF THE HONORABLE DONALD T. REGAN
SECRETARY OF THE TREASURY
JANUARY 8, 1985

I'm very honored to be selected by the President as his Chief of Staff, and I'm positive that Jim Baker will make a great Secretary of the Treasury. Both of us will be solving new problems, and accepting new challenges. Since each of us has had a great deal of exposure to the other's work, the transition should go smoothly.

I'm fully committed to the President's programs, and am dedicated to seeing that they are implemented. I believe the next four years can be as eventful as any in recent history. I look forward to helping make them years of peace and well-being.

R-2977

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
January 7, 1985

CONTACT: Bob Levine
(202) 566-2041

CHANGES IN JAPANESE WITHHOLDING TAX

The officials of the Treasury Department and the Japanese Ministry of Finance met on January 7, 1985, in Washington, and had a frank and sincere discussion. The meeting was held under the co-chairmanship of Assistant Secretaries David Mulford (International Affairs) and Ronald Pearlman (Tax Policy) and Director General Setsue Umezawa (Tax Bureau).

The Ministry of Finance indicated its intention to abolish the withholding tax on non-residents' earnings on Euroyen bonds issued by Japanese residents.

In order to secure the proper taxation on residents' earnings on those bonds which reflowed into Japan, these bonds would be subject to Japanese withholding tax and (the payment records) at Japanese paying intermediaries.

The Ministry of Finance stated this amendment would be submitted to the current Diet session as a part of FY 1985 Tax Reform. The Ministry of Finance underscored that there is no intention to reconsider the removal of the withholding tax on non-residents' earnings on Japanese deposits and securities.

The Treasury Department welcomed the decision of the Ministry of Finance.

The complete text of the Committee's Report will be available in Washington at 8:00 p.m., January 9, 1985, and in Tokyo at 10:00 a.m., January 10.

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R-2978

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 4:00 P.M. January 8, 1985

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $14,000 million, to be issued January 17, 1985. This offering will result in a paydown of about $4,300 million, as the maturing bills total $18,303 million (including the 45-day cash management bills issued December 3, 1984, in the amount of $5,008 million).

The $13,295 million of regular maturities includes $1,760 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities and $2,335 million currently held by Federal Reserve Banks for their own account. The two series offered are as follows:

91-day bills (to maturity date) for approximately $7,000 million, representing an additional amount of bills dated April 19, 1984, and to mature April 18, 1985 (CUSIP No. 912794 GK 4), currently outstanding in the amount of $14,934 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $7,000 million, to be dated January 17, 1985, and to mature July 18, 1985 (CUSIP No. 912794 HS 6).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing January 17, 1985. Tenders from Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rates of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

R-2979

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239, prior to 1:00 p.m., Eastern Standard time, Monday, January 14, 1985. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must state the par amount of bills bid for, which must be a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m. Eastern time on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions as well as holdings of outstanding bills with the same maturity date as the new offering, e.g., bills with three months to maturity previously offered as six-month bills. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit

of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids for the respective issues. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on January 17, 1985, in cash or other immediately-available funds or in Treasury bills maturing January 17, 1985. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

For Immediate Release
January 10, 1985

Contact: Brien Benson
(202) 566-2041

Charlotte Mehuron
(202) 566-6576

TREASURY DEPARTMENT INTRODUCES NEW GOVERNMENT CHECK

In February, 1985 Treasury's Financial Management Service will begin issuing a new, easier to handle, more counterfeit-resistant check, Treasury Secretary Donald T. Regan announced today. The check, which replaces the familiar 40 year-old green punched-card check, is made of lightweight paper and is similar to those now commonly used by the financial and business communities.

Treasury's Philadelphia Financial Center will begin to issue the new check in February, to five million Internal Revenue Service tax refund recipients in Delaware, the District of Columbia, Maryland and Pennsylvania. In May approximately 200,000 Social Security recipients in Philadelphia will begin receiving their payments with the new check.

The new check is multicolored, with pastel hues ranging from light blue to pale peach. A full-length reproduction of the Statue of Liberty appears in dark tones on the left side; a close-up of the head and torch is blended into the background on the right. The letters "USA" create a faint pattern across the back of the check.

"There are several reasons for the change," Secretary Regan explained. "The new check is easier for governments, banks, and businesses to process. It is more difficult to alter or counterfeit. And its lightweight paper stock makes it less expensive to produce and store. When the check is completely replaced in 1987, it will save taxpayers $6 million per year."

Full nationwide conversion to the new government check will begin with December 1985 Social Security payments (about 20 million checks per month). Starting in February 1986, all Internal Revenue Service tax refunds will be made with the new check. Other payments to be converted include supplemental security income, civil service retirement, veterans benefits and compensation, railroad retirement, federal salary and vendor payments. By early 1987 the green punched card check will be completely phased out.

R-2980

The Department of the Treasury disburses over 500 million checks per year through the Financial Management Service's seven regional financial centers. In addition, more than 1,000 non-Treasury disbursing organizations around the world, such as those of the Department of Defense, each year issue approximately 115 million checks, which will also be converted.

A major public awareness campaign will be conducted. Approximately 15 thousand packets, including flyers, posters, and other materials are being sent this week either directly to financial institutions and retailers or to trade associations which have agreed to assist in the distribution efforts. Posters are also being sent to libraries and post offices. Finally, television and radio public service announcements will be aired.

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TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
January 10, 1985

CONTACT: Brian Benson
(202) 566-2041

Charlotte Mehuron
(202) 566-6576

REMARKS BY SECRETARY DONALD T. REGAN
PRESS CONFERENCE FOR NEW TREASURY CHECKS
JANUARY 10, 1985

We're here today to announce a big change -- one that will ultimately involve most Americans in one way or another. For the first time in almost 40 years, the federal government has a new check.

Similar to those commonly used by most individuals and businesses, our new check is attractive, lightweight, easy to handle, and most important, has greatly improved anti-counterfeit features.

The full-length representation of the Statue of Liberty on the left and the muted close-up on the right are both elements to help defeat alterations and counterfeiting. The gradation of pastel colors from light blue to pale peach is another anti-counterfeiting enhancement. Altogether, over a dozen security features represent the best uses of today's technology.

What's more, the lighter paper stock will be cheaper than the existing thicker stock--saving the government $6 million a year when the check conversion is complete.

Also, the new check is easier to store. With over 600 million checks a year, a thinner lightweight check can make a significant difference.

Because the Financial Management Service's seven regional financial centers must make extensive equipment and software changes to print and mail the new check, we'll begin with a limited check distribution from only one center -- the Philadelphia Financial Center. Starting in February, individuals who receive tax refunds in Delaware, Maryland, Pennsylvania, and the District of Columbia will receive the new check. In May the new check will be used for Social Security payments to those living in Philadelphia. Altogether, we expect more than five million of the new checks to be issued in the Mid-Atlantic area during the next five months -- approximately one percent of Treasury checks issued annually.

After the first check distribution phase, we'll move to nationwide use. We expect that all Social Security payments will be made with the new check in December 1985. In February 1986, we'll begin using the new check for IRS tax refunds. By early 1987, all federal salary and vendor payments will have been converted, and the green punched-card will be totally phased out.

Treasury's Financial Management Service issues over 500 million checks per year. Other government disbursing offices, such as those of the Department of Defense, issue roughly 115 million. While Treasury is converting to the new check, non-Treasury disbursing offices will be doing the same.

Throughout the conversion, we will work with business and financial institutions to let them know that their customers will be presenting the new check for cashing or deposit.

A major public awareness campaign will be conducted. Approximately 15 thousand packets, including flyers, posters, and other materials are being sent this week either directly to financial institutions and retailers or to trade associations which have agreed to assist in the distribution efforts. Posters are also being sent to libraries and post offices. Finally, television and radio public service announcements will be aired. The packet you've been handed contains samples of the promotional material we've been using.

The new check has benefits for all.

From the government's point of view, it will be safer, more efficient, and more economical.

For financial institutions and retail stores which serve as cashiers for the millions of people who receive government payments, it will be easier to handle.

Recipients will appreciate the new safety features.

And taxpayers will love the cost savings we achieve.

And now I would like to introduce, and ask to join me at the podium:

Fiscal Assistant Secretary Carole J. Dineen, who will oversee distribution of the new check;

Financial Management Service Commissioner William E. Douglas, whose agency will administer use of the new check;
and Internal Revenue Service commissioner Roscoe L. Egger, Jr., and acting Social Security Administration Commissioner

Martha A. McSteen, whose agencies will be involved in the first phase of the new check distribution.

SECRETARY DISPLAYS CHECK AND IS JOINED BY THOSE HE HAS INTRODUCED FOR PHOTO OPPORTUNITY.

And now I would like to turn this meeting over to Commissioner Douglas, who will accept questions.

TREASURY NEWS
partment of the Treasury • Washington, D.C. • Telephone 566-2041

Embargoed until 10:00 p.m.
January 9, 1985

CONTACT: Bob Levine
(202) 566-2041

US-Japanese Report on Withholding Taxes

Secretary of the Treasury Donald T. Regan and Japanese Finance Minister Noboru Takeshita accepted and released the report of the Ministry of Finance/Treasury Department Working Group on Withholding Taxes. The attached report describes the Ministry of Finance's decision to submit legislation in the current Diet session to abolish immediately the Japanese withholding tax on the interest paid to nonresidents on Euroyen bonds issued by Japanese residents. This will be part of the Ministry's Japan fiscal year 1985 tax legislation, which is expected to go into effect on April 1, 1985.

The report was concluded on the basis of discussions between tax and financial officials of the U.S. Treasury and the Japanese Ministry of Finance, which were mandated in the Report on the Yen/Dollar Exchange Rate Issues released last May. Two meetings on the withholding tax issue were held under the co-chairmanship of Assistant Secretaries David C. Mulford (International Affairs) and Ronald A. Pearlman (Tax Policy) and Director General Setsuo Umezawa (Tax Bureau): the first in Tokyo on October 23, and the second in Washington on January 7.

Secretary Regan welcomed the decision of the Japanese authorities to abolish this tax as an essential step toward the full development of the Euroyen bond market. The abolition will allow Japanese corporations to sell Euroyen bonds to foreign investors on an equal footing with nonresident corporations, enabling Japanese corporations to participate fully in the growing Euroyen bond market. The abolition will thereby help increase the range of attractive yen-denominated assets available to foreign investors. This will contribute toward greater international use of the yen, which was one of the fundamental objectives of the Yen/Dollar Report.

R-298?

January 7, 1985

Minister of Finance Noboru Takeshita
Ministry of Finance
Tokyo

Secretary of the Treasury Donald T. Regan
Department of the Treasury
Washington, D.C.

The Japanese Ministry of Finance - U.S. Department of the Treasury Working Group Report on Yen/Dollar Exchange Rate Issues recognized that "steps should be taken for the yen to assume its proper role in international financial markets," and that "allowing markets in yen-denominated financial instruments to develop will result in a more efficient use of scarce capital resources not only in Japan but internationally as well. Development of the Euroyen market presents an effective means of pursuing liberalization since the Euro market already has established financial, legal, and tax practices followed by Japanese borrowers in other sectors of the Euro markets."

The Yen/Dollar Report of May of last year also provided for a study of the application by Japan of withholding tax on Euroyen issues by Japanese residents. As specified in the Report, the purpose of the study was to resolve the situation arising from segmentation of the Euroyen market which results from the aforementioned withholding tax, while maintaining the integrity of the Japanese tax system. A group of tax and financial officials, under the co-chairmanship of Director General Umezawa and Assistant Secretaries Mulford and Pearlman, has undertaken this study, and we are pleased to present to you the attached official report which recommends abolition of withholding taxes on non-resident purchasers of Euroyen bonds issued by Japanese residents.

Respectfully,

Tomomitsu Oba
Vice Minister for
International Affairs
Ministry of Finance
Tokyo

Beryl W. Sprinkel
Under Secretary for
Monetary Affairs
Department of the Treasury
Washington, D.C.

January 7, 1985

Tomomitsu Oba
Vice Minister for Internationl Affairs
Ministry of Finance
Tokyo

Beryl W. Sprinkel
Under Secretary for Monetary Affairs
Department of the Treasury
Washington, D.C.

We are pleased to transmit to you the attached official report of our study, mandated by the Yen/Dollar Report of May of last year, on the Japanese withholding tax on earnings by non-residents on investment in Euroyen bonds issued by Japanese residents.

Respectfully,

Setsuo Umezawa
Director General
Tax Bureau
Ministry of Finance

David C. Mulford
Assistant Secretary
International Affairs
Department of the Treasury

Ronald A. Pearlman
Assistant Secretary
Tax Policy
Department of the Treasury

January 7, 1985

Report of the

MOF/Treasury Working Group on

Withholding Taxes

1. The Yen/Dollar Report by the Japanese Ministry of Finance-U.S. Department of the Treasury Working Group, submitted on May 29, 1984, sets forth a number of important measures designed to "help liberalize Japan's domestic capital markets, promote internationalization of the yen, improve the access of foreign financial firms to Japan's capital market, and allow the yen to reflect more fully the underlying strength of the Japanese economy." In this context, the Working Group agreed to expedite a study on the withholding tax on Euroyen bonds issued by Japanese residents, between Japanese and U.S. tax and financial officials with the aim of finding an appropriate solution.

Also in that report it was said that, in the coming study, due regard shall be paid to:

1.) The internationalization of the yen,

2.) The sound development of domestic and international capital markets,

3.) Securing tax equality, and,

4.) The maintenance of a well-developed withholding tax system.

2. Pursuant to that mandate and under the Joint Chairmanship of Director General Umezawa and Assistant Secretaries Mulford (International) and Pearlman (Tax Policy), officials met in Tokyo in October 1984 and in Washington in January 1985.

During these meetings, there was a broad discussion on this matter including those points listed above.

3. It was recognized that the presence of Japanese resident issues denominated in yen was a vital part of the free development of the Euroyen bond market. The Treasury Department stressed that the application of withholding taxes to non-Japanese purchasers of Euroyen bonds issued by Japanese residents would create incentives for Japanese residents to issue non-yen Eurobonds which are free of Japanese withholding tax. The presence of Japanese withholding taxes could also lead to segmentation of the Euroyen bond market.

4. The Tax Bureau of the Ministry of Finance had stated that the Japanese tax practices of the growing Euroyen market should not necessarily be designed similar to the Euro-bond market of other currencies insofar as Japanese resident issuers are concerned,

but rather should conform to the Japanese domestic yen bond market, where proper taxation on earnings of financial assets has been maintained by the withholding tax and the payment records system.

5. During the discussion, the Treasury Department had expressed its hope that Japan would reconsider the removal of its withholding tax on earnings by nonresidents on Japanese deposits and securities, which it believes is a barrier to investment by non-Japanese in the principal Japanese financial instruments for foreign investors.

6. The Ministry of Finance expressed its intent to maintain a well-developed withholding tax system, and stated that the removal of its withholding tax on interest earnings by nonresidents on Japanese deposits and securities in Japan's domestic financial system could impair the basic principles of the Japanese tax system.

7. The Treasury Department understood the intent of the Ministry of Finance, and stated that its suggestion for the abolition of withholding tax on earnings by nonresidents was especially related to Euroyen bonds issued by Japanese residents. The Treasury pointed out that such a step, to be effective, would have to be consistent with the established rules and practices of the Eurobond market.

8. The Ministry of Finance explained that withholding tax system should continue to play a vital role in proper taxation on interest income and that there is no intention to reconsider the removal of the withholding tax on nonresidents' earnings on Japanese deposits and securities. It also explained that the withholding tax would be applied, in FY 1985 tax reform, to residents' earnings on foreign securities, as well as bonds floated overseas by Japanese issuers which reflowed into Japan.

9. In light of these discussions, and taking into account the points raised by the Treasury Department, the Ministry of Finance indicated its intention to abolish the withholding tax on non-residents' earnings on Euroyen bonds issued by Japanese residents while securing the proper taxation on residents' earnings on these bonds which reflowed into Japan by the withholding tax and the payment records by Japanese paying intermediaries.

It also stated that terms and conditions of abolition would be equivalent of those regarding the measure on the non-yen denominated bonds issued by Japanese residents, and that a necessary legislative procedure providing for immediate abolition will be taken in the current Diet session.

The Treasury Department welcomed the decision of the Ministry of Finance.

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
January 10, 1985

Contact: Roger Bolton
(202) 566-5252

STATEMENT OF THE HONORABLE R.T. MCNAMAR
DEPUTY SECRETARY OF THE TREASURY
JANUARY 10, 1985

Last fall, I told Secretary Regan that I did not intend to continue serving as Deputy Secretary of the Treasury indefinitely, but wanted to return to California in 1985. So, I am delighted that the President has announced his intention to nominate Dick Darman for the position. His intellect, competence and proven Washington skills, combined with the trust and confidence Jim has in him, ideally suit him to be Jim's deputy. Dick and I will work out an exceptionally smooth transition at the Treasury.

For the forthcoming weeks, my only interest is in serving the President, Don, and Jim and helping put the Treasury team in place. Don has asked me to help his transition to the White House, and of course I will. I have made no secret of my interest in returning to California during 1985 when my personal commitments and public obligations were completed in Washington.

R-2983

TREASURY NEWS
partment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 12:00 NOON January 11, 1985

TREASURY'S 52-WEEK BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for approximately $ 8,500 million of 364-day Treasury bills to be dated January 24, 1985, and to mature January 23, 1986 (CUSIP No. 912794 JP 0). This issue will not provide new cash for the Treasury, as the maturing 52-week bill was originally issued in the amount of $8,481 million.

The bills will be issued for cash and in exchange for Treasury bills maturing January 24, 1985. In addition to the maturing 52-week bills, there are $13,284 million of maturing bills which were originally issued as 13-week and 26-week bills. The disposition of this latter amount will be announced next week. Federal Reserve Banks as agents for foreign and international monetary authorities currently hold $1,306 million, and Federal Reserve Banks for their own account hold $3,044 million of the maturing bills. These amounts represent the combined holdings of such accounts for the three issues of maturing bills. Tenders from Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rate of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $ 355 million of the original 52-week issue.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. This series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239, prior to 1:00 p.m., Eastern Standard time, Thursday, January 17, 1985. Form PD 4632-1 should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

R-2984

Each tender must state the par amount of bills bid for, which must be a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m. Eastern time on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves

the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for $1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on January 24, 1985, in cash or other immediately-available funds or in Treasury bills maturing January 24, 1985. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE

January 14, 1985

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $ 7,018 million of 13-week bills and for $ 7,005 million of 26-week bills, both to be issued on January 17, 1985, were accepted today.

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing April 18, 1985			26-week bills maturing July 18, 1985		
	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/	Price
Low	7.72%	7.98%	98.049	8.03%	8.49%	95.940
High	7.75%	8.01%	98.041	8.05%	8.51%	95.930
Average	7.74%	8.00%	98.044	8.05%	8.51%	95.930

Tenders at the high discount rate for the 13-week bills were allotted 31%.
Tenders at the high discount rate for the 26-week bills were allotted 89%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted	Received	Accepted
Boston	$ 400,210	$ 173,710	$ 380,735	$ 74,235
New York	15,957,615	5,531,570	23,107,565	5,872,515
Philadelphia	25,530	25,530	18,775	18,775
Cleveland	99,690	45,065	50,535	46,675
Richmond	65,545	54,165	82,020	54,250
Atlanta	80,815	61,915	112,330	46,430
Chicago	1,338,895	189,270	1,643,285	220,275
St. Louis	69,715	42,060	100,660	35,660
Minneapolis	11,555	11,555	13,705	13,705
Kansas City	56,435	56,435	54,195	50,320
Dallas	36,985	33,535	29,905	28,805
San Francisco	2,266,365	426,530	1,154,910	115,420
Treasury	366,880	366,880	427,555	427,555
TOTALS	$20,776,235	$7,018,220	$27,176,175	$7,004,620
Type				
Competitive	$18,342,915	$4,784,900	$24,701,495	$4,729,940
Noncompetitive	1,218,090	1,218,090	982,480	982,480
Subtotal, Public	$19,561,005	$6,002,990	$25,683,975	$5,712,420
Federal Reserve	1,134,830	934,830	1,200,000	1,000,000
Foreign Official Institutions	80,400	80,400	292,200	292,200
TOTALS	$20,776,235	$7,018,220	$27,176,175	$7,004,620

1/ Equivalent coupon-issue yield.

R-2985

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

Embargoed until 2:30 p.m.
January 15, 1985

Contact: Brien Benson
(202) 566-2041

Treasury Announces New STRIPS Program

Secretary of the Treasury Donald T. Regan announced today a new program to facilitate Separate Trading of Registered Interest and Principal of Securities (STRIPS). Treasury's plan to set up this facility was announced on August 16.

Secretary Regan stated that the STRIPS program exemplifies the basic public debt management and free market philosophy of this Administration. It reduces the cost to the government of financing the public debt by facilitating competitive private market initiatives with a minimum of direct government involvement.

The STRIPS Program. Under the new STRIPS program, selected Treasury securities may be maintained in the book-entry system operated by the Federal Reserve Banks in a manner that permits separate trading and ownership of the interest and principal payments. This will make it possible for the first time for the market to trade separate principal and interest components, or zero-coupon instruments, in book-entry form, as direct obligations of the U.S.

Currently, each Treasury marketable security has a unique CUSIP number that identifies the security for maintenance and transfer purposes. Under the STRIPS program, to facilitate identification of the component parts, each principal and interest component will be assigned a separate CUSIP number. For example, a Treasury 10-year note eligible in STRIPS form could be held either as the fully constituted note under its own CUSIP number or as 21 separate payments, with 21 separate CUSIP numbers identifying each of 20 semiannual interest components and the principal component.

Timing. The first securities to be made eligible for STRIPS will be the 10-year note and 30-year bond to be issued as part of the quarterly refunding on February 15. Details of these two securities will be announced on January 30. Shortly thereafter the Treasury plans to make STRIPS available for the 10- and 30-year securities issued November 15, 1984. The 20-year bond of November 15, 2004 will become eligible for STRIPS soon after the first interest payment date on May 15, 1985. As experience with the program develops and system enhancements are completed to accommodate a larger volume of requests, other long-term Treasury securities will be available for STRIPS.

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Call Feature. The 30-year bond to be issued in the February 1985 refunding will not have a call feature. Previous 30-year bond issues have been callable by the Treasury after 25 years; therefore, separate trading of the callable interest components has not been possible. The call feature is being eliminated to accommodate market demand for the separate trading of longer-term interest components.

Benefits of STRIPS Program. The STRIPS program will provide a more efficient instrument for the market that has developed since 1982 in zero-coupon obligations based on Treasury securities. Since mid-1982, approximately $45 billion of Treasury securities (principal value) have been "stripped" to create zero coupons, either by the issuance of separate instruments based on Treasuries or by the physical separation of coupons from bearer Treasuries.

Zero-coupon securities, because they provide for a single payment at a specific date in the future, have become very popular for those who wish to avoid reinvestment risk or seek greater certainty in matching the maturities of their assets and liabilities. They have been particularly attractive investments for Individual Retirement Accounts and pension funds.

The Treasury has realized significant savings in financing costs from the zero-coupon initiatives of the private market since 1982, which have broadened the market for Treasury securities. Secretary Regan stated that STRIPS will greatly reduce market transaction and financing costs, stimulate competition, and facilitate further expansion of the zero-coupon market. The savings made possible by STRIPS will be reflected in the competitive bidding for Treasury securities.

Issuance of Strippable Securities. Treasury will not itself be issuing zero-coupon securities under this new program. The Treasury will continue to auction its securities in the same manner; however, for selected issues, it will be possible for a depository financial institution that maintains a book-entry account at a Federal Reserve Bank to request that the securities be separated into their component parts (principal and interest). Each component will be tradable separately and thus may be separately owned.

Financial institutions will have the option to obtain the securities as STRIPS, either on the date of original issue or thereafter. However, all bids must be for the entire security, not separate components. Thus the market, not the Treasury, will decide how much of the securities will be held as STRIPS, based on market demand.

Minimum Amounts. In order for a book-entry security to be separated into its component parts, the par amount of the security must be an amount which, based on the stated interest rate of the security, will produce a semiannual interest payment of $1,000 or a multiple of $1,000.

Once a book-entry security has been separated, each interest and principal component may be maintained and transferred in multiples of $1,000, regardless of the par amount initially required for separation or the resulting amount of each interest payment.

Collateral. The Treasury also plans to make STRIPS eligible as collateral for Treasury Tax and Loan accounts and other public monies later in 1985, after the system becomes fully automated and the current valuation of STRIPS can be readily determined in a cost-effective manner.

Questions and Answers on STRIPS

Nature and Purpose of STRIPS

Q. What is the STRIPS program?

A. The STRIPS (Separate Trading of Registered Interest and Principal of Securities) program is a new facility that will enable depository financial institutions that maintain book-entry security accounts at the Federal Reserve Banks to request that eligible securities be separated into their component parts (principal and interest). When the components are held separately, each component will be identified by its own unique CUSIP number, different from the CUSIP number assigned to the fully constituted security. Each component will then be tradable separately under its own CUSIP number and marketable as a zero-coupon instrument in the secondary market. (In the case of a callable bond, one CUSIP number would be assigned to the components constituting the principal and all interest payments contingent on the bond not being called.)

Q. What does CUSIP mean?

A. A CUSIP number is a standard numbering method for identifying securities. It was developed by the American Bankers Association's Committee on Uniform Securities Identification Procedures (CUSIP). The assignment of CUSIP numbers is made by the CUSIP Service Bureau, operated by Standard and Poor's.

Q. Will there be different CUSIP numbers for components due on the same date but stripped from different security issues?

A. Yes.

Q. Why is the Treasury establishing this new program?

A. The popularity of stripped Treasury securities in recent years has been a major development in the government securities market. Since mid-1982, approximately $45 billion (principal value) of Treasury securities has been stripped either by the issuance of receipts based on them or by the physical separation of coupons from bearer securities. This creation of zero-coupon securities has benefitted the Treasury by broadening the appeal of Treasury securities. To further build on this progress Treasury decided to provide STRIPS as a more efficient method for trading for the zero-coupon market and thus lower the cost of financing the public debt.

Q. In the past, Treasury disapproved of stripping Treasury securities. Now it is offering the market an improved way to strip securities. Why the change?

A. Prior to June 1982, the Treasury Department disapproved of coupon stripping because taxpayers could maintain that various transactions involving stripped securities resulted in a lower tax liability. On June 9, 1982, the Treasury Department announced that it would seek to amend the Internal Revenue Code to deal with coupon stripping. These coupon stripping provisions were incorporated in the Tax Equity and Fiscal Responsibility Act of 1982. Treasury then withdrew its objection to coupon stripping and, in fact, viewed the creativity of the investment community in producing zero-coupon instruments based on Treasury securities as beneficial to Treasury debt management. As a natural further step to take advantage of the large new market for zero-coupon securities, the Treasury is now providing a more efficient mechanism for the secondary market to strip Treasury securities.

Q. What are the attractions of zero-coupon securities?

A. The absence of periodic cash payments on zero-coupon securities is an advantage to those who wish to avoid reinvestment risk and the necessity of finding an appropriate reinvestment vehicle for each interest payment. (This is, of course, a disadvantage to those needing cash flow in order to meet current expenses, including taxes on accrued interest.) Zeros are also much more price volatile than par value bonds of equal maturity, which appeals to speculators.

Because zeros are taxed currently and have a long duration, the main market for them domestically is composed of long-term investors with non-taxable or tax deferred accounts. Individuals have used low denomination zero coupons as investments for their Individual Retirement Accounts and Keogh Plans and as gifts to their children. Pension funds have used zero coupons as part of their immunization strategy with respect to their long-term liabilities. Zeros are also useful for corporate debt defeasance.

Individuals who have found the $10,000 minimum on Treasury's short-term bills too high will now be able to purchase through the secondary market interest components due in the near-term in $1,000 denominations.

Q. Why is the Treasury not selling zero-coupon securities directly?

A. The investment community will be better able to offer zero-coupon instruments that meet particular needs in a timely manner. The market for zero-coupon securities is a rapidly changing one. The demand varies substantially for particular maturities and with changes in interest rates and in the needs of various investor classes. There is not always a cost advantage to issuing zero coupons. This changing demand for zeros will be best accommodated by the STRIPS approach of making a broad range of maturities eligible for stripping but leaving it to the market to decide when and how much of an issue it will separate and market as zero-coupon instruments.

Eligible Institutions

Q. Who will be able to request the separation of a security into STRIPS form?

A. Depository institutions with book-entry securities accounts at Federal Reserve Banks will be able to request that their own securities and those of their customers that hold book-entry securities through these institutions be converted into STRIPS form.

Q. Will an individual be able to buy a single interest or principal component directly from the Treasury?

A. No. The STRIPS program is designed to facilitate the stripping of Treasury securities by private market participants. Individuals and other investors will be able to hold stripped interest or principal components through a private broker or financial institution that is directly or indirectly linked to the book-entry accounts maintained at Federal Reserve Banks.

Q. Will foreigners be allowed to hold STRIPS?

A. Yes. Foreigners, like U.S. investors, will be able to hold STRIPS through financial institutions. Foreign financial institutions will be able to hold STRIPS through a depository institution with a book-entry securities account at a Federal Reserve Bank.

Procedures

Q. What will be the procedures for a depository institution to obtain STRIPS?

A. Along with the auction results of a note or bond eligible for stripping, the Treasury will announce the minimum amount of the security required in order to hold the security in separate component parts. This amount is a function of the interest rate and is chosen so that payments can be further divided for trading purposes into even $1,000 (final payment value) amounts. (See attached table.) To obtain STRIPS, an institution must have the minimum amount specified for a particular issue, or an integral multiple of that amount.

The table shows that a security with a 12 percent interest rate requires a minimum amount (par value) of $50,000 in order to result in interest components in even $1,000 amounts. That is, a holder of $50,000 par amount of Treasury securities could convert them at a Federal Reserve Bank for STRIPS obtaining separate interest components of $3,000. The holder could then transfer to others on the book-entry system any of the separate $3,000 semiannual interest components, or he could transfer amounts as small as $1,000. As another example, an 11-7/8 percent interest rate requires a minimum exchange of $320,000, which would produce interest payments of $19,000. These could then be sold separately as a $19,000 interest component or as 19 separate

$1,000 interest components. The interest components could also be sold in integral multiples of $1000. The table shows that, for interest rates from 5 percent to 20 percent, the range of minimum exchange amounts runs from $10,000 to $1.6 million.

After the auction, financial institutions that have been awarded securities may request that, as of the issue date, some or all of their allotment be held as STRIPS (the amount must conform with the minimum and multiples that have been announced).

In addition, eligible financial institutions may convert their holdings of eligible Treasury securities to STRIPS subsequent to the issue date (again, in conformance with the required minimums).

The request for conversion must be made to the Federal Reserve Bank holding the securities to be converted into STRIPS and must be in the form specified by that Bank. Depository institutions should consult their Federal Reserve Bank for more specific information. The Federal Reserve Bank at which the request is made will inform the financial institution of the specific date on which the conversion will be accomplished, which will be no later than three business days after the request is received.

Q. Will STRIPS be available in all Federal Reserve Districts?

A. Yes.

Q. Will there be a fee charged for conversion of Treasury securities to STRIPS?

A. No. Treasury does not now charge a fee for conversion of securities, e.g., from definitive to book-entry form, and does not plan to charge a fee for the STRIPS conversion.

Q. Will there be a fee for each transfer of STRIPS through the Federal Reserve facilities?

A. Yes. Book entry transfer of interest or principal components will be subject to the same fee schedule applicable for the transfer of Treasury securities.

Q. Once a security is in STRIPS form, what is the minimum amount of principal or interest that can be transferred?

A. The minimum amount will be $1000 (final payment value). Larger amounts must be in integral multiples of $1000.

Q. Once a security is separated into its component parts, can it be reassembled and held under the CUSIP number for the fully constituted security?

A. Treasury plans to make such a facility available as the market and the STRIPS system develops.

Q. Will STRIPS be available in definitive form?

A. No. Only securities in book-entry form will be convertible into STRIPS form. No provision will be made for converting a STRIPS component once separated on the book-entry system to definitive form. An important purpose of STRIPS is to reduce the volume of definitive securities and the related paperwork costs.

Q. Will government securities dealers be able to finance a security for the time between a request for conversion into STRIPS and completion of the conversion by a Federal Reserve Bank with repurchase agreements?

A. A government securities dealer will be able to finance securities awaiting conversion with a repurchase agreement but must assure that the security is returned to the proper account at the Federal Reserve Bank on the day the conversion is to be done in order for that conversion to take place.

Eligible Securities

Q. For what Treasury securities will the STRIPS program be available?

A. In general, Treasury plans to make the STRIPS program available for new securities with 10 or more years of original maturity. Initially, it will be available for the 10-year and 30-year securities to be issued as part of the quarterly refunding on February 15, 1985. Then, Treasury plans to make STRIPS available for the 10-year note and 30-year bond issued on November 15, 1984. Also, the 20-year bond maturing November 15, 2004 will become eligible for STRIPS effective soon after the first interest payment on May 15, 1985. As experience develops, STRIPS may be made available for other securities that have already been issued.

Q. When will the CUSIP numbers for the February 15 issues be made available?

A. At the time of the announcement of these issues on January 30, 1985.

Q. Why is the STRIPS program not being made available for short-term securities?

A. There is little market interest at this time in stripping securities with maturities under 10 years.

Q. Will reopened securities be eligible for STRIPS?

A. Yes. However, we do not plan to reopen notes and bonds issued before July 1984, because of their different tax treatment due to the provisions in the Tax Reform Act of 1984 regarding market discount and the 30% foreign withholding tax.

Q. How will STRIPS be applied to the callable bond issued November 15, 1984?

A. The principal payment of the bond together with all interest payments due after the first call date will be treated as a single component and will be assigned one CUSIP number. Post-call date interest payments cannot be separated from the principal.

Reporting

Q. Will the amount of securities in STRIPS form be reported?

A. Yes. The Monthly Statement of the Public Debt will report the amount held in STRIPS form by security issue.

Q. Will the new STRIPS program affect the debt limit?

A. No. There will be no change in the amounts or timing of Treasury debt issues and thus no change in the accounting for debt limit purposes.

Q. Will daily yields on STRIPS be made available, as they are on Treasury notes and bonds?

A. The availability of quotes will depend on market activity. We expect that, once a liquid market for STRIPS develops, the Federal Reserve Bank of New York will collect from government security dealers price and yield information on the most active maturities.

Collateral

Q. Will the component parts of Treasury securities in the STRIPS program be eligible collateral for Treasury Tax and Loan accounts?

A. Initially, they will not be. Once a system is in place for the Treasury to value these component parts at their final payment value minus an appropriate discount depending on the length of time until payment is due, then they will become eligible collateral for TT&L accounts. This should be in place later in 1985.

Q. Will the component parts of Treasury securities in the STRIPS program be eligible collateral for advances from Federal Reserve Bank discount windows?

A. This determination will be made by the Federal Reserve.

Q. Will the Federal Reserve conduct open market operations with STRIPS?

A. Initially, they will not. When a liquid market develops for STRIPS, it will be up to the Federal Reserve to decide whether to buy and sell STRIPS as part of their conduct of monetary policy.

Q. Will STRIPS be used in repurchase agreements?

A. Market participants will determine this. The Treasury has no objection. However, it should be noted that zero-coupon securities are sold at substantial discounts and their prices are more volatile than other securities of equal maturity.

Taxation

Q. How are stripped interest and principal components to be taxed?

A. The stripped bond rules of the Internal Revenue Code will be applicable to STRIPS. In brief, a financial institution that has obtained all or a portion of its holdings of a Treasury security in strippable form will be considered to have stripped the amount of principal allocable to the STRIPS components sold at the time of disposition of one or more STRIPS components. For example, if a financial institution has obtained $1.6 million of a 10% Treasury security in strippable form and it sells a $1,000 interest payment, the financial institution would be considered to have stripped a $20,000 Treasury security. In order to compute gain or loss on the sale of a STRIPS component, the financial institution must allocate its basis immediately before the disposition among the components retained by the institution and the components disposed of on the basis of their respective fair market values. Thus, in the example the financial institution would recognize gain or loss on the $1,000 STRIPS component it has sold by allocating an appropriate portion of its basis in the $1.6 million of the Treasury security to the $1,000 interest payment sold. The STRIPS components retained (e.g., the remaining components of the $20,000 Treasury security in the example above) by the institution with respect to the stripped security will be considered to be discount obligations; a portion of this discount, calculated according to a compound interest formula, must be taken into account each year by the holder. Similarly, a purchaser of a STRIPS component includes in taxable income each year a portion of the difference between his purchase price and the maturing value of the obligation. This portion is determined by a compound interest formula. Capital gains and losses recognized by holders upon a taxable disposition of STRIPS components are calculated with reference to the adjusted basis of the STRIPS components, which is equal to its acquisition price (or in the case of the person stripping the bond, the allocated portion of the basis in the bond) plus the portion of the discount that has been included in taxable income for the holding period. (The holding period for the financial institution stripping the bond begins when it acquires the bond, whether or not in STRIPS form.)

Q. Are short-term STRIPS components (due within one year) taxed for domestic purposes the same way as Treasury bills?

A. Yes.

Q. How are callable STRIPS to be taxed?

A. Tax regulations covering this subject will be issued in the near future. It is anticipated that, according to these regulations, a purchaser of a callable STRIPS will calculate, based on his acquisition price, both the yield to the first call date and the yield to final maturity. Whichever yield is less will be used to determine the portion of the difference between the principal value and the acquisition price that is to be included in taxable income each year. If all the discount has been included in taxable income by the first call date and the bond is not called, then subsequent interest payments are taxed in the year they are paid.

Q. How is interest to be reported on STRIPS to the IRS?

A. For purposes of complying with the broker reporting requirements, Publication 1212 currently supplies brokers and other middlemen with the amount of discount to be reported for particular original issue discount securities and for receipts such as CATS and TIGRs. With CATS and TIGRs discount is calculated for reporting purposes by referencing the original issue price. Since STRIPS can be created at any time, rather than issued all at once as are particular CATS and TIGR series, we plan to promulgate each year for reporting purposes prices and amount of discount to be reported for all possible maturity dates. We will initially do this by calculating prices for a particular date for zero-coupon obligations according to an established Treasury pricing methodology; once a liquid market develops for these instruments we may subsequently be able to use market prices as of a particular date. Under this arrangement, the amount of discount reported for STRIPS will be calculated based on a new computation of the price each year and without reference to the year an individual acquired the obligation. It should be emphasized that the amount of discount being discussed here is for reporting purposes only, and it will generally not be equal to the amount of discount includible in income for a particular taxpayer.

Q. Can STRIPS be held in Individual Retirement Accounts or Keogh Plans?

A. Yes, STRIPS are permissible investments for these tax deferred retirement plans.

Q. Will foreign holdings of STRIPS be eligible for the "portfolio interest" exemption from the 30 percent withholding tax on interest paid to foreign persons?

A. Discount income on STRIPS from bonds issued after July 18, 1984, is eligible for the portfolio interest exemption from the 30 percent tax on interest paid to foreign persons if the requirements for portfolio interest are satisfied with respect to STRIPS held by a foreign person. Thus, for example, the foreign beneficial owner must be identified by name. In addition, other applicable conditions for portfolio interest specified in regulations must be satisfied.

MINIMUM FACE AMOUNTS WHICH ARE MULTIPLES OF $1000 REQUIRED IN ORDER TO PRODUCE INTEREST PAYMENTS THAT ARE MULTIPLES OF $1000.

COUPON (%)	MINIMUM FACE ($)	INTEREST PAYMENT ($)	COUPON (%)	MINIMUM FACE ($)	INTEREST PAYMENT ($)	COUPON (%)	MINIMUM FACE ($)	INTEREST PAYMENT ($)
5.000	40000.00	1000.00	10.125	1600000.00	81000.00	15.250	800000.00	61000.00
5.125	1600000.00	41000.00	10.250	800000.00	41000.00	15.375	1600000.00	123000.00
5.250	800000.00	21000.00	10.375	1600000.00	83000.00	15.500	400000.00	31000.00
5.375	1600000.00	43000.00	10.500	400000.00	21000.00	15.625	64000.00	5000.00
5.500	400000.00	11000.00	10.625	320000.00	17000.00	15.750	800000.00	63000.00
5.625	320000.00	9000.00	10.750	800000.00	43000.00	15.875	1600000.00	127000.00
5.750	800000.00	23000.00	10.875	1600000.00	87000.00	16.000	25000.00	2000.00
5.875	1600000.00	47000.00	11.000	200000.00	11000.00	16.125	1600000.00	129000.00
6.000	100000.00	3000.00	11.125	1600000.00	89000.00	16.250	160000.00	13000.00
6.125	1600000.00	49000.00	11.250	160000.00	9000.00	16.375	1600000.00	131000.00
6.250	32000.00	1000.00	11.375	1600000.00	91000.00	16.500	400000.00	33000.00
6.375	1600000.00	51000.00	11.500	400000.00	23000.00	16.625	1600000.00	133000.00
6.500	400000.00	13000.00	11.625	1600000.00	93000.00	16.750	800000.00	67000.00
6.625	1600000.00	53000.00	11.750	800000.00	47000.00	16.875	320000.00	27000.00
6.750	800000.00	27000.00	11.875	320000.00	19000.00	17.000	200000.00	17000.00
6.875	320000.00	11000.00	12.000	50000.00	3000.00	17.125	1600000.00	137000.00
7.000	200000.00	7000.00	12.125	1600000.00	97000.00	17.250	800000.00	69000.00
7.125	1600000.00	57000.00	12.250	800000.00	49000.00	17.375	1600000.00	139000.00
7.250	800000.00	29000.00	12.375	1600000.00	99000.00	17.500	80000.00	7000.00
7.375	1600000.00	59000.00	12.500	16000.00	1000.00	17.625	1600000.00	141000.00
7.500	80000.00	3000.00	12.625	1600000.00	101000.00	17.750	800000.00	71000.00
7.625	1600000.00	61000.00	12.750	800000.00	51000.00	17.875	1600000.00	143000.00
7.750	800000.00	31000.00	12.875	1600000.00	103000.00	18.000	100000.00	9000.00
7.875	1600000.00	63000.00	13.000	200000.00	13000.00	18.125	320000.00	29000.00
8.000	25000.00	1000.00	13.125	320000.00	21000.00	18.250	800000.00	73000.00
8.125	320000.00	13000.00	13.250	800000.00	53000.00	18.375	1600000.00	147000.00
8.250	800000.00	33000.00	13.375	1600000.00	107000.00	18.500	400000.00	37000.00
8.375	1600000.00	67000.00	13.500	400000.00	27000.00	18.625	1600000.00	149000.00
8.500	400000.00	17000.00	13.625	1600000.00	109000.00	18.750	32000.00	3000.00
8.625	1600000.00	69000.00	13.750	160000.00	11000.00	18.875	1600000.00	151000.00
8.750	160000.00	7000.00	13.875	1600000.00	111000.00	19.000	200000.00	19000.00
8.875	1600000.00	71000.00	14.000	100000.00	7000.00	19.125	1600000.00	153000.00
9.000	200000.00	9000.00	14.125	1600000.00	113000.00	19.250	800000.00	77000.00
9.125	1600000.00	73000.00	14.250	800000.00	57000.00	19.375	320000.00	31000.00
9.250	800000.00	37000.00	14.375	320000.00	23000.00	19.500	400000.00	39000.00
9.375	64000.00	3000.00	14.500	400000.00	29000.00	19.625	1600000.00	157000.00
9.500	400000.00	19000.00	14.625	1600000.00	117000.00	19.750	800000.00	79000.00
9.625	1600000.00	77000.00	14.750	800000.00	59000.00	19.875	1600000.00	159000.00
9.750	800000.00	39000.00	14.875	1600000.00	119000.00	20.000	10000.00	1000.00
9.875	1600000.00	79000.00	15.000	40000.00	3000.00	20.125	1600000.00	161000.00
10.000	20000.00	1000.00	15.125	1600000.00	121000.00	20.250	800000.00	81000.00

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

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Deposit Insurance Study Forwarded to CCEA

The Administration's Cabinet Council on Economic Affairs (CCEA) today received a study and recommendations prepared by its Working Group on Financial Institutions Reform. The study entitled "Recommendations for Change in the Federal Deposit Insurance System" completes several months of work done in conjunction with the Federal deposit insurance agencies and other depository institution regulators. The study should be available in final form in the next few weeks.

This study represents the first time a modern Administration has undertaken a full-scale review of the Federal deposit insurance system., The system has worked well since its origins in the 1930s but the American economic environment has changed significantly. Our financial system has changed even more dramatically with deregulation, new competition and more technologically sophisticated systems for national and international deposit gathering and lending. Much of this change has occurred during a period ranging from high interest rates and high inflation declining rates and moderate inflation. Under the circumstances, a new look at how the deposit insurance system was bearing up under these strains seemed appropriate.

The Working Group was headed by Thomas J. Healey, Assistant Secretary of the Treasury for Domestic Finance. The other members included: Gregory Ballentine, Associate Director for Economic Policy, Office of Management and Budget, Richard Breeden, Deputy Counsel to the Vice President, Sidney Jones, Under Secretary for Economic Affairs, Department of Commerce, Eugene J. McAllister, Deputy Director for Policy Development, Office of Policy Development, William Poole, Member, Council of Economic Advisers, Roger Porter, Deputy Assistant to the President for Policy Development and J. Michael Shepherd, Deputy Assistant Attorney General for Legal Policy, Department of Justice.

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The Working Group's study proposes several changes in the deposit insurance system and the complementary system of bank regulation to modernize these activities. However, the proposed changes are moderate and designed to strengthen what the study regards as the still relevant basic goals and objectives of the deposit insurance and regulatory systems. The changes will be evolutionary not revolutionary but will be important in enhancing the self-regulatory aspects of financial industry insurance and supervision; thereby, minimizing government intrusion while modernizing the stabilizing features of the systems.

The Working Group on Financial Institutions Reform will work with the deposit insurance agencies and other regulators to implement the insurance study's recommendations. Some may require the introduction of legislation; others can be effected by the insurance agencies and regulators themselves. All the agencies have indicated an interest in assisting the Working Group to implement the recommendations which relate to the following subjects.

1. Risk-related pricing of deposit insurance premiums.

2. Increase capital requirements for insured depository institutions.

3. Improve accounting and disclosure for insured depository institutions.

4. Increase the size of deposit insurance funds and their flexibility.

5. Improve the prudential supervision of depository institutions.

Attached is an Executive Summary of the study including a more detailed presentation of the problems and recommendations.

Attachment

RECOMMENDATIONS FOR CHANGE IN THE FEDERAL DEPOSIT INSURANCE SYSTEM

Executive Summary

January 15, 1985

This study of the federal insurance system is organized into five chapters and three appendices. The first chapter discusses the creation of the current system in the 1930s and highlights the major changes since then. The second chapter describes the current status of the underlying commercial bank and thrift industries and the insurance funds. The third chapter lays out the two primary goals of the insurance system that continue to be relevant today and describes principles to be applied in reviewing the various reform options. The fourth chapter describes the major reform options and analyzes them. The fifth chapter presents recommendations. Finally, there are three appendices, which describe the FDIC and FHLBB proposals, deposit insurance arrangements in other countries, and assess the current Federal deposit insurance system.

Origins of the System

The first chapter discusses the creation of the insurance system in the 1930s and highlights the major changes in the economic environment since then. The immediate impetus for federal deposit insurance was the rash of bank failures during the Depression. In passing legislation to reduce the number of bank insolvencies and to prevent resulting financial instability, the Congress focused on protecting against the cause of most runs, by insuring the small depositor. Similar treatment was accorded to thrifts.

Major changes since the 1930s

There have been significant changes affecting the insurance system since the 1930s, the most significant of which were the advent of high inflation and volatile interest rates. At the same time, technology permitted increased competition for funding sources from nondepository institutions. High and volatile interest rates resulted in increased consumer sophistication and institutional innovation. Substantial external competition from nondepository institutions is now occurring; today there is no significant financial service provided by a bank or thrift that is not also offered by less regulated competition. At the same time, communications technology has allowed funds to be divided into insurable amounts and transferred around the world in seconds, giving managers and regulators little time to respond to a run. These shifts in turn cause potential severe liquidity problems at depository institutions.

Environmental changes also affected the asset side of the balance sheet. Borrower sophistication led to the development of the commercial paper market which reduces high quality lending opportunities for commercial banks. At the thrifts, new asset powers have led to the development of adjustable rate mortgages and new types of credit risk from nonmortgage loans.

Description of the present system

The deposit insurance funds fit within a broader program of government mechanisms for ensuring the soundness of depository institutions. Three interrelated programs form the current structure supporting financial system stability. The first two--the Federal Reserve's lender-of-last resort capability, and federal deposit insurance--are designed to ensure the solvency and stability of the entire financial system. The third program consisting of statutes and regulations supported by periodic federal examinations and enforcement authority, acts to reduce the likelihood of failure of any individual institution. The deposit insurance system study is necessarily cognizant of the role of the other programs in providing systemic stability.

While the current insurance system has satisfied the goal of maintaining stability over the past 50 years, there is concern that the economic changes and the potential increase in riskiness of large institutions may threaten the ability of the insurance funds to fulfill their goals. Moreover, the insurance system appears to treat large and small depository institutions differently, raising substantial public policy questions. These are the concerns that the Administration undertook to examine.

Incentive for risk-taking

The current system of flat-rate premiums provides little disincentive against imprudent management of risks in troubled institutions. To the contrary, with low capital levels, the flat- (and cheap) rate premium system creates incentives for managers and owners of troubled institutions to speculate. They have everything to gain if they win their bets; the insurer (and in the extreme case, the Treasury) pays if they lose. For a troubled institution with low or no capital, even taking modest risks might precipitate failure. But taking modest risks would also be unlikely to restore a very troubled institution to financial health quickly enough to avoid failure. Therefore, there is an incentive to take greater risks which could lead to either rapid recovery or rapid failure. Losses in excess of the owners' modest investments are borne by the insurer, while owners reap all the rewards of winning bets.

Status of the underlying industries and the insurance funds

The second chapter describes the current status of the underlying commercial banking and thrift industries and the insurance funds. It would be inappropriate to evaluate the deposit insurance systems without also analyzing the status of the industries they insure. Risk in their industries is clearly a cause of concern for both funds.

Commercial banks

The commerial banking industry is suffering from the aftermath of a long and deep worldwide recession. Banks with credit exposure to the energy and agricultural sectors and third world borrowers have suffered the most. In 1984, a modern record of 5 percent of banks were identified as problem cases. However, available evidence indicates a growing disparity between strong and weak banks under deregulation, indicating that the better banks perform well in a deregulated environment.

The biggest risk to the stability of the financial system inherently lies in the largest banks. The gradual trend toward increased concentration of assets in the largest banks makes the stability of the largest banks even more important to stability of the entire financial system. The top ten banks now control 25 percent of the total banking assets, compared with 20 percent in 1958. Moreover, large banks tend to fund with more volatile liabilities, (and hence riskier) funds on average than the industry. Banks with over $10 billion in assets fund 60 percent with volatile liabilities, compared with an industry average of 40 percent. The largest banks also seem to have invested in some of the riskier loans. The 24 largest banks accounted for 76.9 percent of all U.S. bank foreign loans. Yet the larger banks also have lower capital ratios than smaller banks and therefore, less of a buffer for the insurance fund.

Thrifts

Savings and loan associations and mutual savings banks continue to face severe problems. Their long-term and historically high quality mortgage assets for the most part were placed at interest rates on the average much below the cost of their short-term funding sources, most of which are now at market rates. Fixed-rate and inexpensive passbook accounts have dropped from 83 percent of total interest-bearing liabilities in 1966 to less than 9 percent in June 1984. The effect of the rise in interest rates on earnings and capital has been dramatic, and the number of problem thrifts has risen commensurately. Each year since 1981, over one-third of all thrifts have reported losses. One of the results has been a reduction in equity capital, the buffer for the insurance fund. The industry average equity-to-assets ratio was 4.19 percent at year-end 1983. However, tangible net worth (which excludes the effects of regulatory accounting and goodwill) was a meager 0.5 percent.

High growth has become another cause for concern. Savings and loan associations' average growth rate rose dramatically to 18 percent in 1983, in part resulting from high risk strategies which are funded quickly through deposits procured at above market interest rates. Sharp recent increases in S&L growth rates, coupled with riskier loans, exacerbate the potential problems for the FSLIC.

The insurance funds

No recent attempt has been made to relate the size of the funds to the new economic environment and associated risks. It seems rational that the funds should be able to handle at least ongoing operations and the potential failure of one or two of the largest depository institutions. Yet the largest depository institutions' deposits are many times the size of the funds, giving rise to concern about the funds' adequacy. For example, as of year-end 1983, 6 FSLIC-insured and 13 FDIC-insured institutions' deposits each exceeded the size of their respective fund.

Goals and principles

The third chapter lays out the two primary goals of a modern insurance system. The two primary goals are: to assure the stability of the depository system, and to protect small depositors (the same conceptual goals as were appropriate when the FDIC was started 51 years ago).

Seven principles have been selected by which to judge the appropriateness of changes to the present system. They are: (1) limiting distortions, (2) relying on market-oriented arrangements, (3) encouraging market monitoring of risk, (4) improving predictability, (5) promoting equity, (6) minimizing taxpayer subsidies, and (7) ensuring future flexibility.

Options

The fourth chapter is a systematic review of the advantages and disadvantages of all of the changes in deposit insurance which merit serious consideration. This leads onto the recommendations in the final chapter.

Recommendations

Thorough analysis of the various options resulted in five recommendations concerning risk-related premiums, capital, accounting and disclosure, the size and flexibility of the funds and the examination, supervision and enforcement function. These recommendations are viewed as a complement to, but not a substitute for, the Administration's policies in favor of financial deregulation, (such as expanded powers for depository institution holding companies, and the liberalization of geographic restraints on banking organizations) and the Vice President's recommendations for reorganization of the federal regulatory agencies.

1. Risk-related pricing-- The current flat-rate premium structure for deposit insurance is inequitable because healthy institutions subsidize troubled ones; and there is little economic incentive to control risk-taking. Therefore, introduction of risk-related pricing, although not necessarily perfect, would clearly be better than the current flat-rate system in simulating the operation of the free market and, hence, reducing the inequity and risk-taking.

2. Increase capital -- The increased risks faced by financial institutions as a result of changes in the economic environment argue for a significantly higher capital requirement to serve as a buffer against difficult times for the institutions and the insurance funds. An increased stake by long-term capital investors such as unsecured subordinated debtholders should provide a more stable market discipline over time than that provided by depositors because, unlike depositors, long-term capital holders are uninsured and unsecured, and cannot withdraw their funds quickly.

3. Accounting and disclosure -- It is not presently possible to obtain publicly and consistently reported financial statements for all ddepository institutions. Moreover, material events are not always required to be disclosed in a timely fashion, even to regulators; further, no publicly-available, written explanation by management of its financial results is required for most institutions. Therefore, the differences between regulatory and

generally accepted accounting principles would be phased out to provide consistent reporting; prompt disclosure of material events would be required; and most managements would explain annually their financial results.

4. Size of funds and flexibility -- Determining appropriate sizes for the insurance funds is important because the perceived adequacy of the funds generates confidence in the system. Therefore, the Administration should work with the agencies to determine reasonable target sizes for the funds. As part of this endeavor, additional tools for handling failure or near-failure of insured institutions should be developed. Moreover, the insurance premiums should be extended to cover deposits payable in foreign offices because such deposits have been effectively insured in the past and seem to be more volatile than other funding sources.

5. Prudential supervision -- Finally, work to improve the examination, supervision and enforcement functions of the regulatory agencies should continue. The Administration should study with the regulators to determine what changes are needed and whether improved examination capabilities now would reduce the total cost in the long run by detecting and resolving problems at an earlier and less expensive stage. Regulators should continue present initiatives to allocate resources according to priorities by identifying the institutions which pose the greatest risks, should review options to improve early warning systems and should develop mechanisms to ensure prompt accountability of officers and directors as a way to discourage and prevent unsafe or unsound actions by managers.

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 4:00 P.M. January 15, 1985

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $14,000 million, to be issued January 24, 1985. This offering will provide about $725 million of new cash for the Treasury, as the maturing bills were originally issued in the amount of $13,284 million. The two series being offered are described below.

Due to the partial holiday on Monday, these auctions have been scheduled for Tuesday, January 22.

91-day bills (to maturity date) for approximately $7,000 million, representing an additional amount of bills dated October 25, 1984, and to mature April 25, 1985 (CUSIP No. 912794 HA 5), currently outstanding in the amount of $6,611 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $7,000 million, to be dated January 24, 1985, and to mature July 25, 1985 (CUSIP No. 912794 HT 4).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing January 24, 1985. In addition to the maturing 13-week and 26-week bills, there are $8,481 million of maturing 52-week bills. The disposition of this latter amount was announced last week. Federal Reserve Banks, as agents for foreign and international monetary authorities, currently hold $1,162 million, and Federal Reserve Banks for their own account hold $3,044 million of the maturing bills. These amounts represent the combined holdings of such accounts for the three issues of maturing bills.

Tenders from Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rates of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $807 million of the original 13-week and 26-week issues.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239, prior to 1:00 p.m., Eastern Standard time, Tuesday, January 22, 1985. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must state the par amount of bills bid for, which must be a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m. Eastern time on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions as well as holdings of outstanding bills with the same maturity date as the new offering, e.g., bills with three months to maturity previously offered as six-month bills. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit

of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids for the respective issues. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on January 24, 1985, in cash or other immediately-available funds or in Treasury bills maturing January 24, 1985. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

TREASURY NEWS
epartment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 4:00 P.M. January 16, 1985

TREASURY TO AUCTION $9,000 MILLION OF 2-YEAR NOTES

The Department of the Treasury will auction $9,000 million of 2-year notes to refund $7,673 million of 2-year notes maturing January 31, 1985, and to raise $1,325 million new cash. The $7,673 million of maturing 2-year notes are those held by the public, including $611 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities.

The $9,000 million is being offered to the public, and any amounts tendered by Federal Reserve Banks as agents for foreign and international monetary authorities will be added to that amount. Tenders for such accounts will be accepted at the average price of accepted competitive tenders.

In addition to the public holdings, Government accounts and Federal Reserve Banks, for their own accounts, hold $625 million of the maturing securities that may be refunded by issuing additional amounts of the new notes at the average price of accepted competitive tenders.

Details about the new security are given in the attached highlights of the offering and in the official offering circular.

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Attachment

R-2989

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF 2-YEAR NOTES TO BE ISSUED JANUARY 31, 1985

January 16, 1985

Amount Offered:	
To the public	$9,000 million
Description of Security:	
Term and type of security	2-year notes
Series and CUSIP designation	Series R-1987 (CUSIP No. 912827 RU 8)
Maturity date	January 31, 1987
Call date	No provision
Interest rate	To be determined based on the average of accepted bids
Investment yield	To be determined at auction
Premium or discount	To be determined after auction
Interest payment dates	July 31 and January 31
Minimum denomination available	$5,000
Terms of Sale:	
Method of sale	Yield Auction
Competitive tenders	Must be expressed as an annual yield, with two decimals, e.g., 7.10%
Noncompetitive tenders	Accepted in full at the average price up to $1,000,000
Accrued interest payable by investor	None
Payment by non-institutional investors	Full payment to be submitted with tender
Payment through Treasury Tax and Loan (TT&L) Note Accounts	Acceptable for TT&L Note Option Depositaries
Deposit guarantee by designated institutions	Acceptable
Key Dates:	
Receipt of tenders	Wednesday, January 23, 1985, prior to 1:00 p.m., EST
Settlement (final payment due from institutions)	
a) cash or Federal funds	Thursday, January 31, 1985
b) readily collectible check	Tuesday, January 29, 1985

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE January 17, 1985

RESULTS OF TREASURY'S 52-WEEK BILL AUCTION

Tenders for $8,529 million of 52-week bills to be issued January 24, 1985, and to mature January 23, 1986, were accepted today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate (Equivalent Coupon-Issue Yield)	Price
Low -	8.36%	9.05%	91.547
High -	8.40%	9.10%	91.507
Average -	8.39%	9.09%	91.517

Tenders at the high discount rate were allotted 17%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted
Boston	$ 409,545	$ 79,745
New York	17,618,775	7,047,265
Philadelphia	6,785	6,785
Cleveland	22,065	22,065
Richmond	38,640	27,830
Atlanta	98,230	43,110
Chicago	1,437,725	525,585
St. Louis	86,315	59,825
Minneapolis	28,620	28,620
Kansas City	72,785	69,125
Dallas	20,290	13,630
San Francisco	1,470,510	492,960
Treasury	112,210	112,210
TOTALS	$21,422,495	$8,528,755
Type		
Competitive	$19,933,555	$7,039,815
Noncompetitive	638,940	638,940
Subtotal, Public	$20,572,495	$7,678,755
Federal Reserve	800,000	800,000
Foreign Official Institutions	50,000	50,000
TOTALS	$21,422,495	$8,528,755

R-2990

TREASURY NEWS

epartment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE

Contact: Bob Levine
(202) 566-2041

Jan. 17, 1985

Announcement by G-5 Ministers and Governors

The Ministers of Finance and Central Bank Governors of France, Germany, Japan, the United Kingdom, and the United States announced today that they had met to discuss a range of international economic and financial issues. The meeting, part of a regular series of consultations among these countries on economic and financial matters of mutual interest, also involved IMF Managing Director de Larosiere for a discussion of the economic policies and prospects of the major industrial countries.

The Ministers and Governors, noting the recent developments in the exchange markets, expressed their commitment to work toward greater exchange market stability. Toward this end, the Ministers and Governors:

-- Reaffirmed their commitment to pursue monetary and fiscal policies that promote a convergence of economic performance at non-inflationary, steady growth;

-- Stressed the importance of removing structural rigidities in their economies to achieving the objectives of non-inflationary, steady growth and exchange market stability, and expressed their intent to intensify efforts in this area; and

-- In light of recent developments in foreign exchange markets, reaffirmed their commitment made at the Williamsburg Summit to undertake coordinated intervention in the markets as necessary.

The Ministers and Governors believe that this approach will provide a solid framework for sustaining recovery, reducing inflation, increasing employment, and achieving greater exchange rate stability.

R-2991

January 17, 1985

federal financing bank NEWS

WASHINGTON, D.C. 20220

Press 566-2041
FFB 566-2468

FOR IMMEDIATE RELEASE January 18, 1985

FEDERAL FINANCING BANK ACTIVITY

Francis X. Cavanaugh, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of November 1984.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $145.2 billion on November 30, 1984, posting an increase of $0.2 billion from the level on October 31, 1984. This $0.2 billion net change was the result of increases in holdings of agency-guaranteed debt of $0.3 billion and in holdings of agency debt issues of $0.1 billion, while holdings of agency assets fell by $0.2 billion during the month. FFB made 293 disbursements during November.

Attached to this release are tables presenting FFB November loan activity, new FFB commitments to lend during November and FFB holdings as of November 30, 1984.

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R-2992

FEDERAL FINANCING BANK

NOVEMBER 1984 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (other than semi-annual)
ON-BUDGET AGENCY DEBT					
TENNESSEE VALLEY AUTHORITY					
Advance #405	11/7	$ 420,000,000.00	11/15/84	9.095%	
Advance #406	11/7	200,000,000.00	11/12/84	9.095%	
Advance #407	11/12	455,000,000.00	11/20/84	9.065%	
Advance #408	11/15	400,000,000.00	11/23/84	9.205%	
Advance #409	11/20	455,000,000.00	11/27/84	9.015%	
Advance #410	11/20	335,000,000.00	11/30/84	8.975%	
Advance #411	11/23	35,000,000.00	12/1/84	8.975%	
Advance #412	11/27	465,000,000.00	12/3/84	8.905%	
Advance #413	11/30	495,000,000.00	12/4/84	8.775%	
NATIONAL CREDIT UNION ADMINISTRATION					
Central Liquidity Facility					
+Note #272	11/5	5,000,000.00	12/5/84	9.455%	
+Note #273	11/5	10,000,000.00	2/4/85	9.465%	
+Note #274	11/9	15,000,000.00	12/10/84	9.195%	
Note #275	11/14	8,000,000.00	12/13/84	9.145%	
Note #276	11/14	2,369,000.00	2/12/85	9.165%	
Note #277	11/16	7,205,000.00	2/15/85	9.105%	
+Note #278	11/19	15,000,000.00	2/19/85	9.055%	
+Note #279	11/29	15,000,000.00	2/27/85	8.805%	
+Note #280	11/30	10,000,000.00	2/28/85	8.775%	
AGENCY ASSETS					
FARMERS HOME ADMINISTRATION					
Certificates of Beneficial Ownership					
	11/25	200,000,000.00	11/1/99	11.465%	11.794% ann.
	11/26	150,000,000.00	11/1/89	11.115%	11.424% ann.
	11/26	150,000,000.00	11/1/94	11.365%	11.688% ann.
	11/26	60,000,000.00	11/1/99	11.465%	11.794% ann.
GOVERNMENT - GUARANTEED LOANS					
DEPARTMENT OF DEFENSE					
Foreign Military Sales					
Jordan 11	11/1	546,082.00	11/15/92	10.015%	
Kenya 11	11/2	12,000.00	5/15/95	11.785%	
Jordan 12	11/5	10,366,980.00	2/5/95	11.416%	
Bolivia 2	11/7	558,800.00	11/22/95	11.709%	
Botswana 3	11/7	776,369.45	3/10/91	11.430%	
Zaire 2	11/7	997,169.00	9/22/93	9.828%	
Philippines 10	11/8	268,346.70	7/15/92	10.995%	
El Salvador 7	11/9	505,003.87	6/10/96	11.895%	
Jordan 10	11/9	579,659.02	3/10/92	10.575%	
Lebanon 7	11/9	17,019,042.24	7/25/91	11.590%	
Philippines 10	11/9	3,236,500.68	7/15/92	11.186%	
Turkey 13	11/9	2,047,462.38	3/24/12	11.975%	
Indonesia 9	11/14	81,265.60	5/10/92	11.855%	
Philippines 10	11/14	447,564.79	7/15/92	11.155%	
Greece 15	11/16	992,821.28	6/15/12	11.865%	
Somalia 4	11/16	26,974.86	11/30/12	11.915%	
Turkey 13	11/19	3,822,204.27	3/24/12	11.915%	
Thailand 10	11/19	5,000,000.00	7/10/94	11.788%	
Thailand 11	11/19	1,422,700.00	9/10/95	11.615%	
Greece 14	11/19	742,893.97	4/30/11	11.915%	

+rollover

FEDERAL FINANCING BANK

NOVEMBER 1984 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual	INTEREST RATE (other than semi-annual)
Foreign Military Sales (Cont'd)					
Greece 15	11/19	$ 14,358,240.00	6/15/12	11.839%	
Jamaica 2	11/19	50,266.40	12/20/93	11.775%	
Ecuador 6	11/20	42,524.08	6/20/89	11.475%	
El Salvador 7	11/20	258,995.75	6/10/96	11.703%	
Jordan 9	11/20	344.13	11/25/91	11.665%	
Jordan 12	11/20	5,960,149.00	2/5/95	11.439%	
Philippines 10	11/20	585,259.58	7/15/92	10.965%	
Thailand 12	11/20	15,000,000.00	3/20/96	11.519%	
Turkey 14	11/20	950.00	11/30/12	11.775%	
Zaire 2	11/20	21,555.00	9/22/93	10.345%	
Botswana 1	11/21	81,725.20	1/15/87	10.702%	
Jordan 11	11/21	946,900.00	11/15/92	9.723%	
Turkey 13	11/21	9,017,632.85	3/24/12	11.785%	
Malaysia 6	11/26	2,547,300.00	9/10/87	10.300%	
Malaysia 7	11/26	4,942,000.00	3/10/88	10.369%	
Greece 14	11/29	738,637.50	4/30/11	11.655%	
Korea 18	11/29	400,000.00	12/31/95	11.505%	
Philippines 10	11/29	3,265,709.32	7/15/92	10.809%	
Turkey 13	11/29	1,210,010.00	3/24/12	11.655%	
Turkey 13	11/30	298,182.03	3/24/12	11.695%	
Botswana 3	11/30	899,052.08	3/10/91	11.235%	
DEPARTMENT OF ENERGY					
Synthetic Fuels - Non-Nuclear Act					
Great Plains Gasification Assoc. #126	11/13	9,500,000.00	10/1/85	10.835%	
#127	11/26	9,000,000.00	10/1/85	10.245%	
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					
Community Development					
*Bell Gardens, CA	11/1	400,000.00	11/1/90	11.590%	11.926% ann.
Peoria, IL	11/5	200,000.00	2/1/85	9.465%	
Roanoke, VA	11/5	3,015,000.00	1/4/85	9.455%	
St. Petersburg, FL	11/7	60,000.00	12/1/85	10.195%	10.455% ann.
Westland, MI	11/7	203,001.71	10/1/85	10.055%	10.279% ann.
Albany, NY	11/14	170,100.00	7/1/03	11.915%	12.270% ann.
Santa Ana, CA	11/15	665,040.00	8/15/86	10.905%	11.202% ann.
Provo, UT	11/16	450,000.00	8/1/85	9.805%	9.947% ann.
Sacramento, CA	11/16	13,701.90	2/1/85	9.095%	
Detroit, MI	11/19	2,144,709.00	9/1/85	9.785%	9.957% ann.
Syracuse, NY	11/19	165,000.00	7/1/03	11.838%	12.188% ann.
Pittsburgh, PA	11/20	129,923.00	10/15/03	11.775%	12.122% ann.
Pittsburgh, PA	11/20	60,577.00	5/1/04	11.778%	12.125% ann.
Bristol, VA	11/23	508,000.00	12/1/85	9.665%	9.899% ann.
Boston, MA	11/23	1,800,000.00	10/1/05	11.600%	11.936% ann.
Kenosha, WI	11/23	4,284.28	6/1/85	9.215%	9.233% ann.
Santa Ana, CA	11/23	98,273.90	8/15/86	10.335%	10.602% ann.
Waukegan, IL	11/23	500,000.00	9/1/85	9.415%	9.570% ann.
Albany, NY	11/29	350,000.00	7/1/85	9.255%	9.320% ann.
Mayaguez, PR	11/29	195,000.00	8/1/85	9.325%	9.438% ann.
San Diego, CA	11/29	220,000.00	8/1/85	9.325%	9.438% ann.
South Bend, IN	11/29	676,507.68	2/15/85	8.805%	
*Jefferson County, KY	11/30	7,720,000.00	11/30/92	11.237%	11.553% ann.
DEPARTMENT OF THE NAVY					
Defense Production Act					
Gila River Indian Com. #19	11/16	307,031.58	10/1/92	11.637%	11.472% qtr.

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FEDERAL FINANCING BANK

NOVEMBER 1984 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (other than semi-annual)
RURAL ELECTRIFICATION ADMINISTRATION					
Saluda River Electric #271	11/1	$ 900,000.00	12/31/86	11.305%	11.150% qtr.
*Saluda River Electric #186	11/1	2,250,000.00	12/31/86	11.305%	11.150% qtr.
*S. Mississippi Electric #171	11/2	2,769,000.00	11/31/86	11.055%	10.906% qtr
*Tex-La Electric #208	11/5	760,000.00	11/5/86	11.095%	10.945% qtr.
Golden Valley Electric #81	11/5	1,095,000.00	12/31/86	11.145%	10.994% qtr.
Basin Electric #137	11/5	15,000,000.00	11/5/86	11.095%	10.945% qtr.
*Colorado Ute Electric #96	11/5	1,133,000.00	11/5/86	11.095%	10.945% qtr.
*Seminole Electric #141	11/7	2,048,000.00	11/7/86	10.915%	10.770% qtr.
Tex-La Electric #208	11/7	339,000.00	11/7/86	10.915%	10.770% qtr.
Western Illinois Power #99	11/7	6,138,000.00	12/31/18	11.657%	11.492% qtr.
Western Illinois Power #294	11/7	41,194,000.00	1/2/18	11.660%	11.495% qtr.
Colorado Ute Electric #203	11/8	1,090,000.00	11/8/86	10.925%	10.780% qtr.
*Wolverine Power #100	11/13	1,989,000.00	11/13/86	10.945%	10.799% qtr.
*Wolverine Power #101	11/13	2,543,000.00	11/13/86	10.945%	10.799% qtr.
*Wolverine Power #182	11/13	2,722,000.00	11/13/86	10.945%	10.799% qtr.
*Wolverine Power #233	11/13	4,380,000.00	11/13/86	10.945%	10.799% qtr.
*Wolverine Power #234	11/13	5,546,000.00	11/13/86	10.945%	10.799% qtr.
*Hoosier Energy #107	11/13	15,000,000.00	12/31/16	11.827%	11.657% qtr.
Soyland Power #105	11/13	9,306,000.00	12/31/18	11.818%	11.648% qtr.
Soyland Power #165	11/13	80,000.00	12/31/18	11.818%	11.648% qtr.
Soyland Power #226	11/13	143,000.00	12/31/18	11.818%	11.648% qtr.
Soyland Power #293	11/13	54,001,000.00	1/2/18	11.821%	11.651% qtr.
*Deseret G&T #170	11/14	695,000.00	11/16/87	11.225%	11.072% qtr.
*Central Electric #131	11/14	120,000.00	11/14/86	11.015%	10.867% qtr.
*Deseret G&T #211	11/15	4,671,000.00	11/17/86	11.045%	10.987% qtr.
*Central Electric #131	11/15	500,000.00	11/17/86	11.045%	10.987% qtr.
Kansas Electric #216	11/15	1,100,000.00	12/31/86	11.085%	11.936% qtr.
N.E. Texas Electric #280	11/15	560,000.00	12/31/86	11.080%	10.931% qtr.
Old Dominion Electric #267	11/15	325,000.00	12/31/86	11.074%	10.925% qtr.
Glacier Highway Electric #262	11/16	702,000.00	12/31/86	10.945%	10.799% qtr.
*Seminole Electric #141	11/19	4,663,000.00	11/19/86	10.835%	10.692% qtr.
*Wolverine Power #101	11/19	140,000.00	11/17/87	11.105%	10.955% qtr.
*Soyland Power #165	11/19	8,562,000.00	12/31/14	11.851%	11.680% qtr.
Deseret G&T #211	11/19	5,089,000.00	11/19/86	10.835%	10.692% qtr.
New Hampshire Electric #270	11/21	411,000.00	1/2/18	11.719%	11.552% qtr.
Oglethorpe Power #246	11/21	12,838,000.00	11/21/86	10.725%	10.585% qtr.
*S. Mississippi Electric #3	11/21	145,000.00	12/31/86	10.744%	10.603% qtr.
*Big Rivers Electric #91	11/23	237,000.00	12/31/86	10.555%	10.419% qtr.
*Big Rivers Electric #143	11/23	968,000.00	12/31/86	10.555%	10.419% qtr.
*Big Rivers Electric #179	11/23	27,336,000.00	12/31/84	8.975%	
Cajun Electric #163	11/26	5,000,000.00	11/26/86	10.425%	10.293% qtr.
Cajun Electric #249	11/26	20,000,000.00	11/26/86	10.425%	10.293% qtr.
*Big Rivers Electric #58	11/26	170,000.00	9/30/87	10.665%	10.526% qtr.
*Big Rivers Electric #91	11/26	1,059,000.00	9/30/87	10.665%	10.526% qtr.
*Big Rivers Electric #136	11/26	123,000.00	9/30/87	10.665%	10.526% qtr.
*Big Rivers Electric #143	11/26	46,000.00	9/30/87	10.665%	10.526% qtr.
*Big Rivers Electric #179	11/26	5,500,000.00	12/31/84	8.865%	
North Carolina Electric #268	11/27	9,188,000.00	12/31/86	10.505%	10.371% qtr.
*South Texas Electric #109	11/28	527,000.00	11/28/86	10.435%	10.302% qtr.
*North Carolina Electric #185	11/29	4,755,000.00	12/31/86	10.515%	10.380% qtr.
Arkansas Electric #142	11/30	2,069,000.00	1/31/85	8.775%	8.743% qtr.
Kamo Electric #266	11/30	9,524,000.00	12/31/86	10.551%	10.415% qtr.
Kansas Electric #216	11/30	919,000.00	12/31/86	10.555%	10.419% qtr.
*Allegheny Electric #93	11/30	3,119,000.00	12/31/86	10.536%	10.401% qtr.
*Allegheny Electric #175	11/30	4,384,000.00	12/1/86	10.495%	10.361% qtr.
Tex-La Electric #208	11/30	800,000.00	12/1/86	10.495%	10.361% qtr.

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FEDERAL FINANCING BANK

NOVEMBER 1984 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (other than semi-annual)
SMALL BUSINESS ADMINISTRATION					
State & Local Development Company Debentures					
Oconee Area Development Corp.	11/7	$ 25,000.00	11/1/99	11.673%	
The St. Louis Local Dev. Co.	11/7	45,000.00	11/1/99	11.673%	
Rural Missouri, Inc.	11/7	47,000.00	11/1/99	11.673%	
E.D.C. of East Kentucky	11/7	47,000.00	11/1/99	11.673%	
Coastal Area Dist Dev Auth, Inc	11/7	48,000.00	11/1/99	11.673%	
Neuse River Dev. Auth., Inc.	11/7	56,000.00	11/1/99	11.673%	
Texas Cert. Dev. Co., Inc.	11/7	71,000.00	11/1/99	11.673%	
Columbus Countywide Dev. Corp.	11/7	73,000.00	11/1/99	11.673%	
Bus. Dev. Corp. of Nebraska	11/7	74,000.00	11/1/99	11.673%	
The St. Louis Local Dev. Co.	11/7	89,000.00	11/1/99	11.673%	
Rural Enterprises, Inc.	11/7	90,000.00	11/1/99	11.673%	
South Austin/Madison Corp.	11/7	97,000.00	11/1/99	11.673%	
Bus. Dev. Corp. of Nebraska	11/7	110,000.00	11/1/99	11.673%	
Georgia Mountains Reg. E.D.C.	11/7	111,000.00	11/1/99	11.673%	
Central Midlands Dev. Corp.	11/7	127,000.00	11/1/99	11.673%	
Rural Missouri, Inc.	11/7	132,000.00	11/1/99	11.673%	
The St. Louis Local Dev. Co.	11/7	135,000.00	11/1/99	11.673%	
Louisville Economic Dev. Corp.	11/7	137,000.00	11/1/99	11.673%	
Greater Salt Lake Bus. Dist.	11/7	141,000.00	11/1/99	11.673%	
CDC Bus. Development Corp.	11/7	166,000.00	11/1/99	11.673%	
EBDC of Montgomery County, MD	11/7	176,000.00	11/1/99	11.673%	
T. Valley Cert. Dev. Corp.	11/7	205,000.00	11/1/99	11.673%	
C.D.C. of Warren County, Inc.	11/7	227,000.00	11/1/99	11.673%	
Los Angeles LDC, Inc.	11/7	236,000.00	11/1/99	11.673%	
E.D.F. of Sacramento, Inc.	11/7	239,000.00	11/1/99	11.673%	
GA Mountains Reg. E.D.C.	11/7	273,000.00	11/1/99	11.673%	
Long Island Dev. Corp.	11/7	350,000.00	11/1/99	11.673%	
Empire State Cert. Dev. Corp.	11/7	410,000.00	11/1/99	11.673%	
Gr. Metro. Chicago Dev. Corp.	11/7	463,000.00	11/1/99	11.673%	
Rural Missouri, Inc.	11/7	500,000.00	11/1/99	11.673%	
Jacksonville Local Dev. Co.	11/7	500,000.00	11/1/99	11.673%	
FL 1st Cap. Fin. Corp., Inc.	11/7	24,000.00	11/1/04	11.697%	
Nine County Dev., Inc.	11/7	47,000.00	11/1/04	11.697%	
Grand Rapids Loc. Dev. Corp.	11/7	50,000.00	11/1/04	11.697%	
Alabama Com. Dev. Corp.	11/7	61,000.00	11/1/04	11.697%	
Pioneer County Dev., Inc.	11/7	65,000.00	11/1/04	11.697%	
Pennyrile Area Dev. Dis., Inc.	11/7	76,000.00	11/1/04	11.697%	
Gr. Camden Dev. Corp.	11/7	78,000.00	11/1/04	11.697%	
Evergreen Com. Dev. Assoc.	11/7	79,000.00	11/1/04	11.697%	
E.D.C. of E. Kentucky	11/7	84,000.00	11/1/04	11.697%	
The St. Louis Local Dev. Co.	11/7	84,000.00	11/1/04	11.697%	
Forward Development Corp.	11/7	85,000.00	11/1/04	11.697%	
The St. Louis Local Dev. Co.	11/7	97,000.00	11/1/04	11.697%	
Hamilton County Dev. Co., Inc.	11/7	101,000.00	11/1/04	11.697%	
Gr. Salt Lake Business Dist.	11/7	102,000.00	11/1/04	11.697%	
Nine County Development, Inc.	11/7	103,000.00	11/1/04	11.697%	
Commonwealth S.B.D. Corp.	11/7	105,000.00	11/1/04	11.697%	
Long Island Development Corp.	11/7	111,000.00	11/1/04	11.697%	
Cen. Mississippi Dev. Co., Inc.	11/7	118,000.00	11/1/04	11.697%	
Iowa Business Growth Co.	11/7	123,000.00	11/1/04	11.697%	
Long Island Development Corp.	11/7	125,000.00	11/1/04	11.697%	
Montgomery County B.D.C.	11/7	130,000.00	11/1/04	11.697%	
Cincinnati Local Dev. Co.	11/7	148,000.00	11/1/04	11.697%	
S. Eastern Econ. Dev. Corp.	11/7	158,000.00	11/1/04	11.697%	
Long Island Development Corp.	11/7	158,000.00	11/1/04	11.697%	
Brockton Reg. E.D.C.	11/7	164,000.00	11/1/04	11.697%	
Gr. Metro. Chicago Dev. Corp.	11/7	166,000.00	11/1/04	11.697%	
Milford Progress, Inc.	11/7	167,000.00	11/1/04	11.697%	
Operation Oswego County, Inc.	11/7	174,000.00	11/1/04	11.697%	
Long Beach Local Dev. Corp.	11/7	174,000.00	11/1/04	11.697%	
E.D.F. of Sacramento, Inc.	11/7	175,000.00	11/1/04	11.697%	
Bay Colony Development Corp.	11/7	181,000.00	11/1/04	11.697%	
No. Virginia L.D.C., Inc.	11/7	181,000.00	11/1/04	11.697%	
Ocean State B.D.A., Inc.	11/7	204,000.00	11/1/04	11.697%	

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BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (other than semi-annual)
State & Local Development Company Debentures (Cont'd)					
E.D.C. of Jefferson County	11/7	$ 206,000.00	11/1/04	11.697%	
Lewiston Development Corp.	11/7	210,000.00	11/1/04	11.697%	
Wilmington Ind. Dev., Inc.	11/7	214,000.00	11/1/04	11.697%	
Ocean State Bus. Dev. Auth.,Inc	11/7	214,000.00	11/1/04	11.697%	
Long Island Development Corp.	11/7	228,000.00	11/1/04	11.697%	
River East Progress, Inc.	11/7	236,000.00	11/1/04	11.697%	
San Diego County L.D.C.	11/7	240,000.00	11/1/04	11.697%	
Central Ozarks Dev., Inc	11/7	252,000.00	11/1/04	11.697%	
Grand Rapids L.D.C.	11/7	252,000.00	11/1/04	11.697%	
HEDCO Local Development Corp.	11/7	257,000.00	11/1/04	11.697%	
HEDCO Local Development Corp.	11/7	294,000.00	11/1/04	11.697%	
Historic 25th Street Dev. Co.	11/7	299,000.00	11/1/04	11.697%	
La Habra Local Dev. Co., Inc.	11/7	313,000.00	11/1/04	11.697%	
San Diego County L.D.C.	11/7	321,000.00	11/1/04	11.697%	
Wisconsin Bus. Dev. Fin. Corp.	11/7	327,000.00	11/1/04	11.697%	
Bay Colony Development Corp.	11/7	336,000.00	11/1/04	11.697%	
Long Beach Local Dev. Corp.	11/7	339,000.00	11/1/04	11.697%	
Region E Development Corp.	11/7	342,000.00	11/1/04	11.697%	
Metro. Growth & Dev. Corp.	11/7	395,000.00	11/1/04	11.697%	
Greater Salt Lake Bus. Dist.	11/7	442,000.00	11/1/04	11.697%	
Milwaukee Econ. Dev. Corp.	11/7	498,000.00	11/1/04	11.697%	
Ark-La-Tex Inv. & Dev. Corp.	11/7	500,000.00	11/1/04	11.697%	
N.E. Louisiana Indus., Inc.	11/7	500,000.00	11/1/04	11.697%	
Opportunities Minnesota, Inc.	11/7	500,000.00	11/1/04	11.697%	
First District Dev. Co.	11/7	500,000.00	11/1/04	11.697%	
Gr. Metro. Chicago Dev. Corp.	11/7	500,000.00	11/1/04	11.697%	
Long Island Development Corp.	11/7	500,000.00	11/1/04	11.697%	
First District Dev. Co.	11/7	500,000.00	11/1/04	11.697%	
Railbelt Community Dev. Corp.	11/7	500,000.00	11/1/04	11.697%	
C.D.C. of Mississippi, Inc.	11/7	500,000.00	11/1/04	11.697%	
Western Slope Econ. Dev. Co.	11/7	65,000.00	11/1/09	11.698%	
Region IV Development Corp.	11/7	79,000.00	11/1/09	11.698%	
City of Spartanburg D.C., Inc.	11/7	83,000.00	11/1/09	11.698%	
Warren Redev. & Plan. Corp.	11/7	84,000.00	11/1/09	11.698%	
Arrowhead Reg. Dev. Corp.	11/7	87,000.00	11/1/09	11.698%	
Cleveland Area Dev. Fin. Corp.	11/7	88,000.00	11/1/09	11.698%	
Tuscon Local Development Corp.	11/7	94,000.00	11/1/09	11.698%	
Bus. Dev. Corp. of Nebraska	11/7	97,000.00	11/1/09	11.698%	
Tuscon Local Development Corp.	11/7	101,000.00	11/1/09	11.698%	
Middle Flint Area Dev. Corp.	11/7	101,000.00	11/1/09	11.698%	
San Diego County L.D.C.	11/7	102,000.00	11/1/09	11.698%	
East-Central Idaho Dev. Co.	11/7	105,000.00	11/1/09	11.698%	
Columbus Countywide Dev. Corp.	11/7	116,000.00	11/1/09	11.698%	
La Habra Local Dev. Co., Inc.	11/7	120,000.00	11/1/09	11.698%	
Brattleboro Dev. Credit Corp.	11/7	130,000.00	11/1/09	11.698%	
San Diego County L.D.C.	11/7	132,000.00	11/1/09	11.698%	
Gr. Southwest Kansas CDC	11/7	137,000.00	11/1/09	11.698%	
Rural Enterprises, Inc.	11/7	147,000.00	11/1/09	11.698%	
Ocean State Bus Dev Auth, Inc	11/7	147,000.00	11/1/09	11.698%	
San Diego County L.D.C.	11/7	179,000.00	11/1/09	11.698%	
Mahoning Valley Econ Dev Corp	11/7	180,000.00	11/1/09	11.698%	
New Haven Com. Inv. Corp.	11/7	181,000.00	11/1/09	11.698%	
San Francisco Ind. Dev. Fund	11/7	185,000.00	11/1/09	11.698%	
Corp for Bus Asst in New Jersey	11/7	194,000.00	11/1/09	11.698%	
Fort Worth Econ. Dev. Corp.	11/7	200,000.00	11/1/09	11.698%	
Columbus Countywide Dev. Corp.	11/7	221,000.00	11/1/09	11.698%	
San Diego County Loc Dev Corp	11/7	223,000.00	11/1/09	11.698%	
Lake County Econ. Dev. Corp.	11/7	243,000.00	11/1/09	11.698%	
Evergreen Community Dev. Assoc.	11/7	250,000.00	11/1/09	11.698%	
E.D. Fnd. of Sacramento, Inc.	11/7	265,000.00	11/1/09	11.698%	
Siouxland Econ. Dev. Corp.	11/7	265,000.00	11/1/09	11.698%	
Opportunities Minnesota, Inc.	11/7	268,000.00	11/1/09	11.698%	
San Diego County Loc Dev Corp	11/7	282,000.00	11/1/09	11.698%	
Mid-Atlantic Certified Dev. Co.	11/7	311,000.00	11/1/09	11.698%	

FEDERAL FINANCING BANK

NOVEMBER 1984 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (other than semi-annual)
State & Local Development Company Debentures (Cont'd)					
Texas Cert. Dev. Co., Inc.	11/7	$ 312,000.00	11/1/09	11.698%	
La Habra Local Dev. Co., Inc.	11/7	389,000.00	11/1/09	11.698%	
Rural Missouri, Inc.	11/7	399,000.00	11/1/09	11.698%	
Warren Redev. & Plan. Corp.	11/7	406,000.00	11/1/09	11.698%	
Bay Colony Development Corp.	11/7	445,000.00	11/1/09	11.698%	
River East Progress, Inc.	11/7	500,000.00	11/1/09	11.698%	
Massachusetts Cert. Dev. Corp.	11/7	500,000.00	11/1/09	11.698%	
Small Business Investment Company Debentures					
Independence Fin. Servs., Inc.	11/21	500,000.00	11/1/89	11.535%	
North Star Ventures, Inc.	11/21	1,500,000.00	11/1/91	11.665%	
Sunwestern Capital Corp.	11/21	2,000,000.00	11/1/91	11.665%	
Americap Corporation	11/21	1,000,000.00	11/1/94	11.735%	
BT Capital Corporation	11/21	5,000,000.00	11/1/94	11.735%	
Bay Venture Group	11/21	1,500,000.00	11/1/94	11.735%	
Caribank Capital Corporation	11/21	1,000,000.00	11/1/94	11.735%	
Dixie Business Inv. Company	11/21	300,000.00	11/1/94	11.735%	
Fluid Capital Corporation	11/21	1,500,000.00	11/1/94	11.735%	
Hamco Capital Corporation	11/21	1,000,000.00	11/1/94	11.735%	
Michigan Cap. & Service, Inc.	11/21	2,400,000.00	11/1/94	11.735%	
TENNESSEE VALLEY AUTHORITY					
Seven States Energy Corporation					
Note A-85-02	11/30	531,591,692.70	2/28/85	8.805%	

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NOVEMBER 1984 Commitments

BORROWER	GUARANTOR	AMOUNT	EXPIRES	MATURITY
Bristol, VA	HUD	$ 508,000.00	12/1/87	12/1/87
Mayaguez, PR	HUD	505,298.18	8/1/87	8/1/87
Indianapolis, IN	HUD	14,424,571.00	3/1/86	3/1/86
Jefferson County, KY	HUD	8,360,000.00	11/30/92	11/30/92
Syracuse Ind. Dev. Agency, NY	HUD	691,500.00	7/1/85	7/1/03

FEDERAL FINANCING BANK HOLDINGS
(in millions)

Program	November 30, 1984	October 31, 1984	Net Change 11/1/84-11/30/84	Net Change—FY 1985 10/1/84—11/30/84
On-Budget Agency Debt				
Tennessee Valley Authority	$ 13,795.0	$ 13,725.0	$ 70.0	$ 360.0
Export-Import Bank	15,689.8	15,689.8	-0-	-0-
NCUA-Central Liquidity Facility	290.5	263.8	26.7	21.6
Off-Budget Agency Debt				
U.S. Postal Service	1,087.0	1,087.0	-0-	-0-
U.S. Railway Association	51.3	51.3	-0-	-0-
Agency Assets				
Farmers Home Administration	58,801.0	59,021.0	-220.0	-710.0
DHHS-Health Maintenance Org.	116.1	116.1	-0-	-0-
DHHS-Medical Facilities	132.0	132.0	-0-	-0-
Overseas Private Investment Corp.	11.0	11.0	-0-	-0-
Rural Electrification Admin.-CBO	3,536.7	3,536.7	-0-	-0-
Small Business Administration	38.8	39.4	-0.6	-1.3
Government-Guaranteed Lending				
DOD-Foreign Military Sales	17,413.9	17,337.3	76.6	303.0
DEd.-Student Loan Marketing Assn.	5,000.0	5,000.0	-0-	-0-
DOE-Geothermal Loan Guarantees	11.2	11.2	-0-	4.9
DOE-Non-Nuclear Act (Great Plains)	1,338.0	1,319.5	18.5	48.0
DHUD-Community Dev. Block Grant	227.5	217.5	9.9	19.2
DHUD-New Communities	33.5	33.5	-0-	-0-
DHUD-Public Housing Notes	2,146.1	2,178.5	-32.3	-32.3
General Services Administration	412.7	413.3	-0.6	-0.6
DOI-Guam Power Authority	36.0	36.0	-0-	-0-
DOI-Virgin Islands	28.7	28.7	-0-	-0-
NASA-Space Communications Co.	902.3	902.3	-0-	-52.3
DON-Defense Production Act	3.6	3.3	0.3	0.5
Rural Electrification Admin.	20,887.9	20,693.7	194.3	300.8
SBA-Small Business Investment Cos.	886.3	872.8	13.5	26.0
SBA-State/Local Development Cos.	402.8	375.0	27.8	48.3
TVA-Seven States Energy Corp.	1,561.4	1,545.6	15.7	5.8
DOT-Section 511	156.4	159.6	-3.3	-3.3
DOT-WMATA	177.0	177.0	-0-	-0-
TOTALS*	$ 145,174.4	$ 144,978.0	$ 196.4	$ 338.3

*figures may not total due to rounding

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
JAN. 18, 1985

Contact: Bob Levine
(202) 566-2041

ARGENTINA REPAYS U. S. BRIDGE LOAN

The Treasury Department announced today that the $500 million in short-term bridge financing which it provided to Argentina on December 28, 1984 has been fully repaid. This bridge financing was made in support of the economic program which Argentina negotiated with the IMF. Repayment was made from balance of payments financing Argentina received from the IMF under the new standby arrangement and the Compensatory Financing Facility.

R-2993

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 4:00 P.M. January 22, 1985

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $14,000 million, to be issued January 31, 1985. This offering will provide about $725 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of $13,285 million, including $1,936 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities and $1,385 million currently held by Federal Reserve Banks for their own account. The two series offered are as follows:

91-day bills (to maturity date) for approximately $7,000 million, representing an additional amount of bills dated November 1, 1984, and to mature May 2, 1985 (CUSIP No. 912794 HB 3), currently outstanding in the amount of $6,630 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $7,000 million, to be dated January 31, 1985, and to mature August 1, 1985 (CUSIP No. 912794 HU 1).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing January 31, 1985. Tenders from Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rates of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

R-2994

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239, prior to 1:00 p.m., Eastern Standard time, Monday, January 28, 1985. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must state the par amount of bills bid for, which must be a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m. Eastern time on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions as well as holdings of outstanding bills with the same maturity date as the new offering, e.g., bills with three months to maturity previously offered as six-month bills. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit

of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids for the respective issues. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on January 31, 1985, in cash or other immediately-available funds or in Treasury bills maturing January 31, 1985. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE

January 22, 1985

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $7,019 million of 13-week bills and for $ 7,030 million of 26-week bills, both to be issued on January 24, 1985, were accepted today.

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing April 25, 1985			:	26-week bills maturing July 25, 1985		
	Discount Rate	Investment Rate 1/	Price	:	Discount Rate	Investment Rate 1/	Price
Low	7.68% a/	7.94%	98.059	:	7.92%	8.36%	95.996
High	7.69%	7.95%	98.056	:	7.94%	8.39%	95.986
Average	7.68%	7.94%	98.059	:	7.93%	8.38%	95.991

a/ Excepting 1 tender of $750,000.

Tenders at the high discount rate for the 13-week bills were allotted 71%.
Tenders at the high discount rate for the 26-week bills were allotted 1%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted	:	Received	Accepted
Boston	$ 396,670	$ 46,670	:	$ 392,285	$ 90,285
New York	17,101,370	2,994,445	:	17,014,895	4,745,915
Philadelphia	52,960	36,810	:	20,835	20,835
Cleveland	151,120	55,580	:	64,465	34,270
Richmond	61,955	56,955	:	60,105	44,245
Atlanta	59,385	52,385	:	115,720	58,805
Chicago	1,326,935	130,135	:	1,296,170	141,525
St. Louis	53,940	46,140	:	121,115	61,245
Minneapolis	21,290	14,790	:	35,605	30,655
Kansas City	84,275	75,550	:	82,900	82,900
Dallas	49,400	39,400	:	32,330	22,380
San Francisco	4,342,010	3,110,510	:	1,819,305	1,318,835
Treasury	359,550	359,550	:	377,875	377,875
TOTALS	$24,060,860	$7,018,920	:	$21,433,605	$7,029,770
Type					
Competitive	$21,302,730	$4,460,790	:	$18,711,990	$4,508,155
Noncompetitive	1,355,500	1,355,500	:	1,098,610	1,098,610
Subtotal, Public	$22,658,230	$5,816,290	:	$19,810,600	$5,606,765
Federal Reserve	1,073,935	873,935	:	1,150,000	950,000
Foreign Official Institutions	328,695	328,695	:	473,005	473,005
TOTALS	$24,060,860	$7,018,920	:	$21,433,605	$7,029,770

An additional $11,305 thousand of 13-week bills and an additional $ 24,495 thousand of 26-week bills will be issued to foreign official institutions for new cash.

1/ Equivalent coupon-issue yield.

R-2995

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE

January 23, 1985

RESULTS OF AUCTION OF 2-YEAR NOTES

The Department of the Treasury has accepted $9,020 million of $26,791 million of tenders received from the public for the 2-year notes, Series R-1987, auctioned today. The notes will be issued January 31, 1985, and mature January 31, 1987.

The interest rate on the notes will be 9-3/4%. The range of accepted competitive bids, and the corresponding prices at the 9-3/4% interest rate are as follows:

	Yield	Price
Low	9.81%	99.893
High	9.84%	99.840
Average	9.83%	99.858

Tenders at the high yield were allotted 49%.

TENDERS RECEIVED AND ACCEPTED (In Thousands)

Location	Received	Accepted
Boston	$ 503,280	$ 64,980
New York	22,684,205	7,807,995
Philadelphia	27,100	27,100
Cleveland	251,815	104,685
Richmond	103,250	61,700
Atlanta	208,840	81,165
Chicago	1,253,880	246,835
St. Louis	126,100	103,825
Minneapolis	63,815	61,795
Kansas City	140,660	137,760
Dallas	23,250	19,230
San Francisco	1,400,230	298,290
Treasury	4,910	4,910
Totals	$26,791,335	$9,020,270

The $9,020 million of accepted tenders includes $988 million of noncompetitive tenders and $8,032 million of competitive tenders from the public.

In addition to the $9,020 million of tenders accepted in the auction process, $480 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $625 million of tenders was also accepted at the average price from Government accounts and Federal Reserve Banks for their own account in exchange for maturing securities.

R-2996

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE January 24, 1985

AMENDED RESULTS OF TREASURY'S 13-WEEK BILL AUCTION

During the recording of competitive bids at a Federal Reserve Bank for the 13-week Treasury bills auctioned on January 22, a competitive bid was overstated by $599 million. As a result of correcting this overstatement, the amount accepted is changed from $7,019 million to $6,420 million. This adjustment does not affect the average bank discount rate, and the range of accepted competitive bids remains as announced on January 22.

R-2997

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

EMBARGOED FOR RELEASE
UNTIL 10:45 A.M.

Remarks by
Secretary of the Treasury
Donald T. Regan
before the
Executive Forum
January 25, 1985

Good morning.

Perhaps I should start off by telling you I have a new idea -- all of you swap places with the person next to you. It will do wonders in recharging your batteries.

Speaking of possible changes I understand Jack Kemp has been standing next to Paul Volcker ever since he heard about Jim Baker and me.

Incidentally the real reason we swapped is because I got tired of signing all that money. And Jim wanted a bigger office.

The important thing to remember is that -- while we might be changing jobs -- we're both still here. And all of you are still here. Here for a reason.

Today, in this hall, we are celebrating a commitment. A commitment to a common belief, to a President, to the American people. We all believe America is a great country; that it can be greater; and, by the same token, that America can falter if we don't guard and protect everything that makes it strong and free.

Earlier this week, a great man took the oath of office as President. He, as much as anyone I know, understands what America means, what it stands for, what it is, and what it can be. As Ronald Reagan starts his second term, I'm proud to be with him. And I'm honored to be part of the team which includes everyone of you.

We accomplished a lot in the last four years. And each of you has contributed so much. But I can tell you right now, we've set our sights even higher for the next four years and we'll be depending on you even more to help in building the best America possible.

R-2998

When I vacate my office at Treasury, sometime in the near future, I'll be leaving those responsibilities to one of the ablest men in government.

But right now, I am still Treasury Secretary, and for the remainder of my time here I'd like to talk about the next four years in that capacity. Specifically, what are the major economic issues and what will the Administration be attempting to do on the economic front?

About 20 years ago, President Reagan delivered a speech. In that speech he said he would speak of controversial things. He did. Much of it was devoted to the growing menace of bigger and more expensive government.

In that speech, two decades ago, he told the American people it was a time for choosing. He said that govenment had laid its hand on health, housing, farming, industry, commerce and education to an alarming degree. And he said that the hour was late.

A little over two months ago, meeting with his Cabinet after the election, the President pulled out a copy of that speech. He reminded us that we came here to reduce the size and scope of government.

We've slowed the clock in our time here, but the hour still has grown later. The menace is bigger. Without question, the most critical economic issue we face today is federal spending and its control.

To many Americans big government means big taxes, and what seems like a constant pressure for legislation to take even more of their hard-earned income. To others it means federal involvement -- or, often as not, interference -- in all sorts of life's activities.

This is bad and people are fed up. Ronald Reagan's election and re-election showed us that. But the problem is deep-rooted. The threat is subtle, but it's real.

The threat is an erosion, and even the possible loss, of the individual freedoms we enjoy as a democratic nation and a free economy.

For more than a half-century we underwent a transformation, sometimes speedy, other times more slowly and less visible. But, the important point is that this dangerous trend continued virtually uninterrupted. And the effects were pronounced.

Growing paychecks for Americans simply meant a growing amount of revenue through higher federal taxes. Children grew up, got out of school, and faced less opportunity than their parents. When they got jobs, they wondered why they couldn't live as well as their parents.

Billions were poured into education and social programs, yet the quality of education fell, poverty increased. Those already disadvantaged faced ever-tougher odds of bettering themselves and their families.

More and more of the individual's power to decide was blocked or usurped, while decision-making grows more centralized in the hands of those in Washington.

In the 18th century, the Scottish philosopher David Hume wrote: "It is seldom that liberty of any kind is lost all at once." Years later in 1912, then New Jersey Governor Woodrow Wilson said: "The history of liberty is a history of limitation of government power, not the increase of it."

I think it would serve us all well to give some thought to those observations.

Is federal spending a demon that needs to be exorcised completely? Of course not. Much of what we spend is absolutely necessary. Much is well-spent and provides benefits that couldn't occur otherwise.

But excessive spending, ever-increasing spending and a mind-set that we can spend away our problems made and makes for disastrous policy.

Ronald Reagan knew this when he gave that speech 20 years ago. He knew this when he came to Washington four years ago. And he fought. The growth in spending -- which, you'll recall, had reached 17 percent annually -- was cut dramatically.

But the fight is far from over. Government growth, entrenched as it is in our society, is a very formidable force. That's why, in this second term, we must mount another dedicated, concerted counter offensive.

Not against the truly needed spending; not against those legitimate levels necessary for the legitimate functions of a national government; but against the arbitrary and excessive spending growth that takes from us all and helps no one in the long run.

What we plan to do, beginning with the budget to be submitted early next month, is seek major cuts in spending. And fight for further cutbacks in every subsequent budget through this term.

No program or department will be considered exempt. In fact, we'll even be seeking to eliminate some things altogether.

As a benchmark, we'll be looking to reduce the deficit as a proportion of Gross National Product. But I want you to note that the words deficit and spending are not interchangable. It's federal spending that must be controlled. A decreasing deficit is simply what we will use as a guideline.

If we are going to promote economic growth, opportunity, and individual freedom to the highest degrees possible, then we have to come to grips with what still amounts to excessive spending.

And we have to put more incentives back into our economy. I know of no better way to accomplish this than getting the government out of the financial affairs of Americans. And I know of no more distorting factor than the present U.S. income tax system.

We must move ahead quickly with historic, comprehensive tax reform. The disincentives have to be removed from the system. It must be made fairer. And it must be simplified.

We propose to lower marginal tax rates dramatically -- with a tax rate of no more than 35 percent. And we want to rid the system of all those tax preferences which necessitate higher tax rates and distort economic decisions.

Americans should be able to keep more of the rewards from their efforts if they choose to work harder or longer or be more creative or innovative. And they should be able to conduct their affairs and plan their futures on the basis of economics, not taxation.

Americans should also know that their tax system is fair; that taxpayers and businesses with similar incomes are paying similar amounts of tax. And that everyone is paying a fair share.

Lastly, Americans should not have to spend inordinate time and expense just in order to comply with tax laws.

The Treasury proposal, which will serve as the basis for President Reagan's tax reform recommendations to Congress, would correct much of what is wrong with our present system.

As I said earlier, progress, good progress has been made in the first term. We scaled back government growth, unleashed the world's most powerful economy, and reaped the benefits. But, the job is unfinished.

There's something very different about this time we're in. There's a sense that lasting change can be brought by our efforts. Let's not let the opportunity slip away.

Instead, let us do what is necessary. And in the end, let us be able to say assuredly, not only did we serve, we also made a difference.

Thank you.

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

REMARKS OF
THE HONORABLE JOHN M. WALKER, JR.
ASSISTANT SECRETARY (ENFORCEMENT AND OPERATIONS)
U.S. DEPARTMENT OF THE TREASURY
AT THE MEETING OF THE
ITALIAN-AMERICAN WORKING GROUP ON ORGANIZED CRIME
AND DRUG TRAFFICKING
ROME, ITALY
WEDNESDAY, JANUARY 16, 1985

The Basis for Cooperation by Our Respective Countries Against the Problem of Money Laundering

Let me begin by saying how pleased I am at the progress our two countries have made in increasing our cooperation in law enforcement. This cooperation will, I am sure, be of even greater benefit to both of our countries in the years to come.

This morning, I will be discussing a topic of critical and growing importance to law enforcement--both in the domestic law enforcement of each of our countries, and on the international crime front.

The problem is money laundering. As this topic is not a new one to any of us, I will not dwell on the characteristics of money laundering, by which I mean any of the techniques organized crime uses to conceal the illegal origin of its criminal proceeds. I would like to take this opportunity, rather, to provide an update on the problem--from the U.S. perspective--and on the progress we are making against it. It is my hope that we can then discuss, as a group, the many ramifications of money laundering in ways that will enhance our mutual understanding, and further our cooperation.

We recognize that our efforts against international money laundering cannot succeed without the cooperation of other nations. We are particularly gratified to note the high priority your government has placed on the problem of money laundering through financial institutions. We look forward to building upon the excellent basis for cooperation that our countries have already achieved. We are particularly interested in the Financial Police activities in this area, as described at our last working group meeting.

I would like to begin this morning by reflecting on the seriousness of the money laundering threat. It is both symptom and disease. As a societal disease, in and of itself, it seeks to corrupt our financial institutions, with the result that public confidence in them and in our financial system may be eroded. It makes financial institutions partners, wittingly or unwittingly, in criminal financial conspiracies.

But money laundering is also the symptom of larger diseases--the underlying criminal activity to which it plays host. It is part and parcel of organized crime, with devastating consequences to our society. All of us are fully aware of the pervasiveness of this threat, of the difficulty of penetrating the facade behind which organized crime hides, and of the potential it poses for the corruption of justice.

If there is anything favorable about money laundering as far as law enforcement is concerned, it is this: the need to launder criminal proceeds is in many, if not most, instances the weakest link in a criminal enterprise. To the extent that a syndicate must rely on a financial institution, it is vulnerable to the reach of law enforcement. Provided, that is, that law enforcement has the statutory powers and the analytical and investigative capability to ferret out the illicit financial activity.

In the United States, this capability to attack money laundering has developed over the fourteen years since the enactment of the Bank Secrecy Act, otherwise known as the Currency and Foreign Transactions Reporting Act. It is only during the last four to five years, however, that we can honestly conclude that substantial progress against money laundering has been made.

Since the U.S. Bank Secrecy Act, as administered by the Treasury Department, is familiar to you, I will not dwell on its provisions. But I would like to point out that its passage signified an awareness that law enforcement in the United States had a critical need for better documentation of financial transactions, both national and international ones. The Act was intended to assist law enforcement by providing for retention of records of all significant international transactions and certain domestic ones, as well as reporting, as defined by Treasury regulations.

In our regulations, we now require:

° Reports of all cash transactions in excess of $10,000, to be submitted by financial institutions to the Internal Revenue Service.

- Importations or exportations of $10,000 in cash or monetary instruments, to be reported to U.S. Customs.

- Reporting to the Internal Revenue Service of the ownership or control of a foreign bank account.

These reports are assembled and computerized to provide a data bank of intelligence on money flows and the individuals and organizations that can be linked to them.

In 1980, the U.S. Treasury Department began a process of expanding its enforcement of these reporting requirements. This expansion was prompted by indications that the problem of money laundering had grown significantly. The Treasury Department recognized this trend, for example, when it analyzed broad national currency flows. In the normal instance, expanding economic activity in a region will result in a net currency deficit. The central bank, or Federal Reserve System in the United States, must then increase the money supply to the region to accommodate the economic growth.

In the Florida region, an area of strong economic growth, we noted just the opposite: not only was there a currency surplus at the Federal Reserve, but it was expanding. This surplus grew from $1.5 billion in 1976 to $5.8 billion in 1980. Not all of this money represented crime proceeds. But a substantial portion of the surplus was clearly drug proceeds, generated from the high level of drug trafficking occurring in the region of South Florida.

In addition to expanding our enforcement of the reporting requirements by financial institutions, we have, since 1980, built up a substantial investigative capability. The Treasury Department has 30 financial task forces pursuing money laundering cases.

In addition, the thirteen Organized Crime Drug Enforcement Task Forces have, as one of their goals, a concentration of investigative resources on the financial underpinnings of organized crime. As many as two out of three of their cases have a financial component.

All of the task forces use the reporting information to which I have referred. This information allows us to analyze currency flows, to uncover suspicious financial activity, and to provide the basis for support to ongoing criminal investigations.

Overall, the Bank Secrecy Act allows us to focus investigative attention on the one element in common to every organized crime transaction: the money involved.

- The money itself is potentially devastating evidence in a criminal trial. Because the Bank Secrecy Act contains criminal penalties, it is itself the basis for substantive criminal charges.

- Cash is essential to the continuity of the enterprise. Money laundering investigations frequently uncover huge amounts of cash. If we can seize and forfeit it, we can disrupt, or even destroy, the operation.

- From the standpoint of justice, the money is ill-gotten gains. It is the right, and indeed the duty, of government to take this money back.

- Through the audit trail I have mentioned, an investigation can penetrate the criminal's facade. It can reach the upper echelons of a criminal enterprise, whose operatives are too sophisticated to be found close to the actual source of the proceeds.

- Financial investigations have a critical role to play in tax enforcement in the United States. Indeed, enforcement of the Internal Revenue Code, particularly with respect to international transactions, was one of the principal reasons for passage of the Bank Secrecy Act. With each seizure of organized crime proceeds, we have the potential for a tax liability, a second basis for forfeiture, and the basis for additional criminal charges. This can be done even if we cannot prove a direct connection between the money and drug trafficking.

- Finally, financial investigations have an intrinsic appeal as a law enforcement tool. They constitute investigative work at a highly sophisticated level: we are matching our ingenuity with that of the high-level criminal. We can counter his attempts to conceal his assets and the existence of his criminal enterprise with our financial investigative and analytical expertise.

I mentioned a moment ago that our progress against money laundering has occurred principally in the last several years. We have used financial investigations to destroy 17 major money laundering syndicates since 1980. These criminal organizations laundered a documented total of $2.7 billion.

Since 1980, our financial investigations under the Bank Secrecy Act have produced at least $100 million in currency seizures and $57 million in seizures of property.

In addition to the accomplishments of the Organized Crime Drug Enforcement Task Forces, which I mentioned earlier, Treasury's financial investigations have so far produced 323 arrests, 389 indictments and 164 convictions.

While it is fair to say that our financial investigations and our Bank Secrecy Act enforcement efforts in general have made progress, money laundering continues to be a serious problem for our country. And we continue to seek new ways to deal with it.

There are, of course, limitations on the information that can be reported to law enforcement by financial institutions--in the United States, and particularly in certain foreign countries that strictly preserve the secrecy of financial information.

In the United States, we are now examining our laws pertaining to bank employees that govern the passing on to law enforcement of information concerning suspicious transactions. There are, of course, two important principles conflicting here--the customer's right to financial privacy, and the government's need for effective weapons to combat money laundering and organized crime.

On an international scale, the problem is more challenging. Countries that rigidly preserve bank secrecy are often financially dependent on banking revenues from transactions originating offshore.

Our efforts to lift these restrictions on law enforcement's ability to obtain information on international transactions have met with some success. The recent agreement that the United States has entered into with Great Britain allows U.S. prosecutors to obtain documents located in the Cayman Islands that relate to narcotics offenses. We are seeking a similar agreement with the government of Panama.

We have taken another approach to the problem by proposing to change our regulations under the Bank Secrecy Act. The Act gives us the power to require reporting on all international transactions, provided we balance law enforcement's need for the information with the financial community's need to avoid burdensome requirements. Our proposal is to look at selected classes of transactions between U.S. banks and banks in those countries that maintain stringent bank secrecy, or at classes of transactions that have a significant risk of involving illegal activity. We will, of course, be mindful of the potential reporting burden on the institutions involved and impose the requirements in the least burdensome way consistent with our need for the information.

Also on the international front, at many INTERPOL conferences we have promoted a dialogue on the value of financial investigations, and resolutions on financial investigations have been adopted by that body. Indeed, INTERPOL has taken a strong interest in the money laundering problem and now has a financial investigations unit at St. Cloud, France, in which the U.S. participates. This unit is available to assist each of our governments by providing support in financial investigations.

In General Chiari's message last fall, he also mentioned another aspect of the money laundering problem: the possibility of money laundering through casinos. In the United States, we have also addressed this problem. We have recently taken steps to bring casinos under the currency transaction reporting requirements. A proposed regulation requiring such reporting is currently out for public comment.

Perhaps most promising, however, will be the possibility of collaborative investigations, involving both of our countries, that are directed against financial crimes of international scope. The information exchange that we have discussed is a valuable first step in this direction and a means of furthering our cooperation in the fight against money laundering.

Let me conclude by thanking you for your kind attention. We welcome your views on how we might further our cooperation in this critical law enforcement area.

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE | January 28, 1985

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $ 7,001 million of 13-week bills and for $ 7,006 million of 26-week bills, both to be issued on January 31, 1985, were accepted today.

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing May 2, 1985			:	26-week bills maturing August 1, 1985		
	Discount Rate	Investment Rate 1/	Price	:	Discount Rate	Investment Rate 1/	Price
Low	7.72%	7.98%	98.049	:	7.94%	8.39%	95.986
High	7.79%	8.06%	98.031	:	7.98%	8.43%	95.966
Average	7.76%	8.03%	98.038	:	7.97%	8.42%	95.971

Tenders at the high discount rate for the 13-week bills were allotted 30%.
Tenders at the high discount rate for the 26-week bills were allotted 36%.

TENDERS RECEIVED AND ACCEPTED
(In Thousands)

Location	Received	Accepted	:	Received	Accepted
Boston	$ 392,270	$ 42,270	:	$ 388,645	$ 38,645
New York	12,827,700	5,362,700	:	13,788,490	5,727,650
Philadelphia	29,830	29,830	:	18,550	18,550
Cleveland	44,095	44,095	:	49,150	49,150
Richmond	136,445	56,445	:	94,620	68,220
Atlanta	54,345	49,345	:	41,315	36,315
Chicago	1,363,075	573,075	:	1,048,995	282,595
St. Louis	48,655	48,655	:	83,905	49,305
Minneapolis	41,595	41,595	:	31,115	31,115
Kansas City	52,110	52,110	:	73,110	73,110
Dallas	43,860	38,860	:	29,340	24,340
San Francisco	1,134,385	327,385	:	1,102,420	247,180
Treasury	335,065	335,065	:	360,125	360,125
TOTALS	$16,503,430	$7,001,430	:	$17,109,780	$7,006,300
Type					
Competitive	$14,500,275	$5,098,275	:	$14,696,870	$4,693,390
Noncompetitive	1,167,695	1,167,695	:	989,210	989,210
Subtotal, Public	$15,667,970	$6,265,970	:	$15,686,080	$5,682,600
Federal Reserve	735,460	635,460	:	650,000	550,000
Foreign Official Institutions	100,000	100,000	:	773,700	773,700
TOTALS	$16,503,430	$7,001,430	:	$17,109,780	$7,006,300

1/ Equivalent coupon-issue yield.

R-3000

TREASURY NEWS
Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR RELEASE AT 4:00 P.M. January 29, 1985

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $14,000 million, to be issued February 7, 1985. This offering will provide about $450 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of $13,554 million, including $1,089 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities and $2,762 million currently held by Federal Reserve Banks for their own account. The two series offered are as follows:

91-day bills (to maturity date) for approximately $7,000 million, representing an additional amount of bills dated November 8, 1984, and to mature May 9, 1985 (CUSIP No. 912794 HC 1), currently outstanding in the amount of $6,932 million, the additional and original bills to be freely interchangeable.

182-day bills (to maturity date) for approximately $7,000 million, representing an additional amount of bills dated August 9, 1984, and to mature August 8, 1985 (CUSIP No. 912794 HK 3), currently outstanding in the amount of $8,482 million, the additional and original bills to be freely interchangeable.

Both series of bills will be issued for cash and in exchange for Treasury bills maturing February 7, 1985. Tenders from Federal Reserve Banks for themselves and as agents for foreign and international monetary authorities will be accepted at the weighted average bank discount rates of accepted competitive tenders. Additional amounts of the bills may be issued to Federal Reserve Banks, as agents for foreign and international monetary authorities, to the extent that the aggregate amount of tenders for such accounts exceeds the aggregate amount of maturing bills held by them.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

R-3001

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239, prior to 1:00 p.m., Eastern Standard time, Monday, February 4, 1985. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must state the par amount of bills bid for, which must be a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. Competitive tenders must also show the yield desired, expressed on a bank discount rate basis with two decimals, e.g., 7.15%. Fractions may not be used. A single bidder, as defined in Treasury's single bidder guidelines, shall not submit noncompetitive tenders totaling more than $1,000,000.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account. Each tender must state the amount of any net long position in the bills being offered if such position is in excess of $200 million. This information should reflect positions held as of 12:30 p.m. Eastern time on the day of the auction. Such positions would include bills acquired through "when issued" trading, and futures and forward transactions as well as holdings of outstanding bills with the same maturity date as the new offering, e.g., bills with three months to maturity previously offered as six-month bills. Dealers, who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities, when submitting tenders for customers, must submit a separate tender for each customer whose net long position in the bill being offered exceeds $200 million.

A noncompetitive bidder may not have entered into an agreement, nor make an agreement to purchase or sell or otherwise dispose of any noncompetitive awards of this issue being auctioned prior to the designated closing time for receipt of tenders.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches. A deposit

of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $1,000,000 or less without stated yield from any one bidder will be accepted in full at the weighted average bank discount rate (in two decimals) of accepted competitive bids for the respective issues. The calculation of purchase prices for accepted bids will be carried to three decimal places on the basis of price per hundred, e.g., 99.923, and the determinations of the Secretary of the Treasury shall be final.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on February 7, 1985, in cash or other immediately-available funds or in Treasury bills maturing February 7, 1985. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills. In addition, Treasury Tax and Loan Note Option Depositaries may make payment for allotments of bills for their own accounts and for account of customers by credit to their Treasury Tax and Loan Note Accounts on the settlement date.

In general, if a bill is purchased at issue after July 18, 1984, and held to maturity, the amount of discount is reportable as ordinary income in the Federal income tax return of the owner at the time of redemption. Accrual-basis taxpayers, banks, and other persons designated in section 1281 of the Internal Revenue Code must include in income the portion of the discount for the period during the taxable year such holder held the bill. If the bill is sold or otherwise disposed of before maturity, the portion of the gain equal to the accrued discount will be treated as ordinary income. Any excess may be treated as capital gain.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, Treasury's single bidder guidelines, and this notice prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars, guidelines, and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

January 30, 1985

FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE

TREASURY FEBRUARY QUARTERLY FINANCING

The Treasury will raise about $11,000 million of new cash and refund $7,998 million of securities maturing February 15, 1985, by issuing $7,250 million of 3-year notes, $6,000 million of 10-year notes, and $5,750 million of 30-year noncallable bonds. The $7,998 million of maturing securities are those held by the public, including $935 million held, as of today, by Federal Reserve Banks as agents for foreign and international monetary authorities.

The 10-year note and 30-year bond being offered today may be divided into their separate Interest and Principal Components and maintained in that form on the book-entry records of the Federal Reserve Banks and Branches. This feature, announced on January 15 as the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program, requires a par amount of the security sufficient to produce a semiannual interest payment of $1,000 or a multiple of $1,000. Once a security is in the STRIPS form, the components may be maintained and transferred in multiples of $1,000. Financial institutions should consult their local Federal Reserve Bank or Branch for procedures for requesting securities in STRIPS form.

The three issues totaling $19,000 million are being offered to the public, and any amounts tendered by Federal Reserve Banks as agents for foreign and international monetary authorities will be added to that amount. Tenders for such accounts will be accepted at the average prices of accepted competitive tenders.

In addition to the public holdings, Government accounts and Federal Reserve Banks, for their own accounts, hold $2,093 million of the maturing securities that may be refunded by issuing additional amounts of the new securities at the average prices of accepted competitive tenders.

Details about each of the new securities are given in the attached "highlights" of the offering and in the official offering circulars. The circulars, which include the CUSIP numbers for components of securities with the STRIPS feature, can be obtained by contacting the nearest Federal Reserve Bank or Branch.

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Attachment

R-3002

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC
FEBRUARY 1985 FINANCING TO BE ISSUED FEBRUARY 15, 1985

January 30, 1985

Amount Offered to the Public	$7,250 million	$6,000 million	$5,750 million
Description of Security:			
Term and type of security	3-year notes	10-year notes	30-year bonds
Series and CUSIP designation	Series R-1988 (CUSIP No. 912827 RV 6)	Series A-1995 (CUSIP No. 912827 RW 4)	Bonds of 2015 (CUSIP No. 912810 DP 0)
CUSIP Nos. for STRIPS Components	Not applicable	Listed in Attachment A of offering circular	Listed in Attachment A of offering circular
Maturity date	February 15, 1988	February 15, 1995	February 15, 2015
Interest rate	To be determined based on the average of accepted bids	To be determined based on the average of accepted bids	To be determined based on the average of accepted bids
Investment yield	To be determined at auction	To be determined at auction	To be determined at auction
Premium or discount	To be determined after auction	To be determined after auction	To be determined after auction
Interest payment dates	August 15 and February 15	August 15 and February 15	August 15 and February 15
Minimum denomination available	$5,000	$1,000	$1,000
Amount Required for STRIPS	Not applicable	To be determined after auction	To be determined after auction
Terms of Sale:			
Method of sale	Yield Auction	Yield Auction	Yield Auction
Competitive tenders	Must be expressed as an annual yield, with two decimals, e.g., 7.10%	Must be expressed as an annual yield, with two decimals, e.g., 7.10%	Must be expressed as an annual yield, with two decimals, e.g., 7.10%
Noncompetitive tenders	Accepted in full at the average price up to $1,000,000	Accepted in full at the average price up to $1,000,000	Accepted in full at the average price up to $1,000,000
Accrued interest payable by investor	None	None	None
Payment through Treasury Tax and Loan (TT&L) Note Accounts	Acceptable for TT&L Note Option Depositaries	Acceptable for TT&L Note Option Depositaries	Acceptable for TT&L Note Option Depositaries
Payment by non-institutional investors	Full payment to be submitted with tender	Full payment to be submitted with tender	Full payment to be submitted with tender
Deposit guarantee by designated institutions	Acceptable	Acceptable	Acceptable
Key Dates:			
Receipt of tenders	Tuesday, February 5, 1985, prior to 1:00 p.m., EST	Wednesday, February 6, 1985, prior to 1:00 p.m., EST	Thursday, February 7, 1985, prior to 1:00 p.m., EST
Settlement			
a) cash or Federal funds	Friday, February 15, 1985	Friday, February 15, 1985	Friday, February 15, 1985
b) readily collectible check	Wednesday, February 13, 1985	Wednesday, February 13, 1985	Wednesday, February 13, 1985

TREASURY NEWS
partment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
January 30, 1985

CONTACT: CHARLES POWERS
(202) 566-2041

UNITED STATES AND BARBADOS SIGN NEW INCOME TAX TREATY

The Treasury Department today announced that a new income tax treaty was signed with Barbados, in Bridgetown, on December 31, 1984. The treaty was signed by Kenneth A. Kurze, Charge' d'Affaires a.i., for the United States, and Louis R. Tull, Minister of Foreign Affairs and Attorney-General, for Barbados. The proposed treaty will be sent to the Senate for its advice and consent to ratification. The proposed treaty, if approved, will replace an earlier treaty with Barbados, which was terminated as of January 1, 1984.

The treaty covers the U.S. Federal income tax and certain Federal excise taxes, and the Barbadian Income Tax, Corporation Tax and Petroleum Winning Operations Tax. It provides for maximum rates of tax at source of 15 percent on dividends, which is reduced to 5 percent for dividends paid to companies which own at least 10 percent of the voting power of the company paying the dividend. Interest will be subject, in general, to a maximum tax at source of 12.5 percent, except that interest will be exempt at source if paid with respect to an obligation issued, guaranteed or insured by the Government of the United States or Barbados, or by a political subdivision, local authority or instrumentality of one of the governments. Royalties are subject to a maximum rate of tax at source of 12.5 percent.

The treaty contains provisions dealing with the taxation of business profits, personal service income and other types of income, as well as provisions relating to the administration of the treaty and the taxes to which it applies. The treaty provides for the exchange of information relating to income and certain other taxes. There is also currently in effect a Caribbean Basin Agreement to exchange tax information, signed by the United States and Barbados on November 3, 1984.

The treaty contains provisions, similar to those found in other U.S. tax treaties, designed to prevent abuse of the treaty, by limiting its benefits to persons properly entitled to those benefits.

R-3003

The treaty is subject to ratification. It will enter into force on the exchange of instruments of ratification. The provisions of the treaty will have effect in respect of U.S. taxes withheld at source, on the first day of the second month following entry into force; in respect of other taxes, both U.S. and Barbadian, it will have effect for taxable periods beginning on or after January 1, 1984.

A limited number of copies of the treaty are available from the Public Affairs Office, Treasury Department, Main Treasury Building, Room 2315, Washington, D.C. 20220, telephone (202) 566-2041.

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TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
January 30, 1985

CONTACT: Art Siddon
(202) 566-2041

R.T. MCNAMAR DISCUSSES THE DOLLAR AND THE DEFICIT

Deputy Treasury Secretary R.T. McNamar told the National Foreign Trade Council in New York City today that "cutting the budget deficit through reduced government spending, all other things being equal, will further strengthen the dollar."

"The Reagan administration is clearly committed to reducing the budget deficit through spending reductions, not tax increases," Mr. McNamar said. "However, the effect of reducing the deficit should be to strengthen the dollar. A reduced deficit would reduce federal borrowing requirements, thereby reducing federal competition with the private sector for available credit. All other things being equal, this will improve the perception of sustainable non-inflationary growth in the United States relative to other countries. Given an appropriate monetary policy, this will undoubtedly result in a more attractive U.S. investment environment relative to other countries."

In a luncheon speech to the council, Mr. McNamar rejected the theory that a large federal deficit causes high interest rates which account for the strength of the dollar in relation to other world currencies.

"Despite the oft-repeated assertions of a large budget deficit-interest rate link, Treasury has not been able to find any consistent statistically satisfactory correlation between the two, "Mr. McNamar said. "Nor have our requests to others produced such an analysis."

The U.S. dollar is strong today because investors around the world view this country as the most attractive economy in which to invest, said Mr. McNamar. The dollar will come down from its high levels only as the other major economies of the world strengthen and become more attractive places in which to invest.

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R-3004

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

REMARKS BY THE HONORABLE R. T. MCNAMAR
DEPUTY SECRETARY OF THE TREASURY
BEFORE THE
NATIONAL FOREIGN TRADE COUNCIL
NEW YORK, NEW YORK

January 30, 1985

THE PORTFOLIO SHIFT THEORY OF EXCHANGE RATE MOVEMENTS

Thank you, and it's a pleasure to be with you.

Since 1980 we've seen the dollar rise to new highs on international markets. As you in world trade related businesses well know, it has impacted the U.S. position in a variety of international markets. To explain the reasons for the dollar's performance, and propose policy changes to deal with the situation, a vast array of supporting formulas and statistics have been used.

Listening to the preponderance of hypotheses and numbers is not unlike the situation Disraeli was in during the course of an important Parliamentary debate. An opponent of Disraeli's government was supporting his arguments and charges with a ponderous and bewildering barrage of statistics. Instead of scurrying around for similar ammunition to refute these arguments, Disraeli rose and commented drily, "Gentlemen, there are three kinds of lies -- lies, damned lies, and statistics."

While contemporary discussions and explanations of exchange rate movements in general, and the dollar's rise in particuilar, fall somewhat short of Disraeli's classifications, they do tend to rely on outdated theories and consequently fail to analyze the "new fundamental forces" that are driving exchange rate movements.

Today, I would like to suggest a framework for assessing exchange rate movements which, I believe, better fits the worldwide interpretation of today's capital markets. For by understanding the underlying fundamentals, I think we'll be in a better position to assess recent events, predict their overall future impact on your business, and understand the impact of domestic economic policies, such as the United States' tax policy, on international markets.

Initially, let's analyze the effectiveness of traditional explanations for exchange rate movements in the context of the past few years.

TRADITIONAL EXPLANATIONS

Many theories have been offered to explain the rise of the dollar. Most center on the behavior or shifts in trade or current account balances, U.S. interest rates, or inflation rates. But in my view these and other traditional explanations fall short, on both a conceptual and an empirical basis, of explaining the strength of the dollar in the last few years.

First, let's examine the external account balance argument -- the trade and current account balances. In college, we were all taught that exchange rate movements were linked to shifts in a country's trade and current account balances.

Countries with growing current account surpluses are expected to experience appreciation of their currencies. Countries with growing current account deficits are supposed to see their currencies fall.

In the past this seemed to be the case. For example, between 1975 and 1978, the U.S. current account went from a plus $18 billion to a minus $15 billion. Following the traditional theory, the dollar depreciated by 9 percent. During the same period, the Japanese current account went from a $1 billion deficit to a $17 billion surplus, and the yen appreciated by 41 percent. The German surplus rose by $5 billion and the DM appreciated by 17 percent.

Bluntly put, I don't think this theory is valid today. Unfortunately, the "rules of the game" have changed since the 1970's and the world is much different than it was even a decade ago. Today, it is essential to understand the relative importance of trade transactions and non-trade related capital flows.

Currently, international trade in goods and services total approximately $2 trillion per year. By comparison, estimates of annual capital flows are usually in the $20-30 trillion range or 10 to 15 times those of goods and services. Recently, the Financial Times estimated that $200 billion in foreign exchange is traded between banks every day -- or approximately $50 trillion per year. I'm unsure of the number, but confident of the relative importance of trade and capital flows.

Given the relative importance of capital flows versus trade flows today, it seems clear that capital flows, not trade flows, determine exchange market dynamics. In short, today capital flows do affect exchange flows and alter trade flows, but not vice versa.

Another traditional explanation of recent dollar movements focuses on nominal interest rate differentials between countries. This conventional wisdom says large U.S. budget deficits have raised U.S. interest rates, increasing the nominal interest rate spreads over those offered in Europe. In turn, the theory goes, these nominal interest rate differentials have driven up the value of the dollar vis-a-vis European currencies.

Let's examine this theory. First, despite the oft-repeated assertions of a large budget deficit-interest rate link, Treasury has not been able to find any consistent statistically satisfactory correlation between the two. Nor have our requests to others produced such an analysis.

During the first three quarters of 1984, we saw estimates of the deficit progressively lowered from $231 billion in last year's original budget to $174 billion in this summer's midsession review, a drop of $57 billion or 25 percent. Yet, during this period the dollar increased 10 percent on a trade-weighted basis against the OECD currencies.

And, although relative changes in interest rate differentials are clearly one element influencing exchange markets, they cannot -- and have not -- explained the dollar's persistent strength. Analysis shows that nominal interest rate differentials have decreased or moved <u>against</u> the dollar between early 1981 and the present. That is, the nominal interest rate spread between the U.S. and other key currency countries has narrowed.

While short-term interest rate differentials have moved in favor of the DM by nearly 500 basis points and the French franc by over 700 basis points since early 1981, the dollar has risen against the DM by 61 percent and against the franc by 113 percent. Nominal differentials have moved in favor of the Swiss franc by over 800 basis points, yet the dollar has risen 50 percent against the Swiss franc. The same is true for other major currencies.

Pragmatically, if large nominal interest rate differentials are the sole key, much higher interest rate spreads existing between the U.S. and any number of Latin American countries would have resulted in large sales of the dollar to buy those currencies. But obviously people have not yet been selling dollar assets to buy fixed income securities denominated in pesos, bolivars, or cruzeiros.

The most dramatic evidence has occurred since last July. During this period, we have seen a significant fall in both short and long term U.S. interest rates and a continued narrowing of differentials with Europe. But, counter to the conventional wisdom, the dollar strengthened 12 percent against the DM to a 3.17-3.19 range DM during this period. I hope these events may have, finally, laid the old nominal interest rate-exchange rate argument to rest.

The large deficit-high interest rate-high dollar hypothesis also fails to distinguish between alternative policy choices to reduce the U.S. federal budget deficit. Either raising taxes $50 billion or cutting spending $50 billion will reduce the deficit by the same amount, but each has significantly different domestic economic (and therefore exchange rate) effects. Suffice it to say that the large deficit-high interest rate-high dollar analysis assumes a host of other variables (like monetary policy) are either perfectly anodyne or exogenous during the year.

To me, these seem naive assumptions, which is why I would label this a simplistic hypothesis. In essence, it is an attempt to explain a multiple variant regression with a single variable. This is so simplistic that even a banker or a Harvard professor should understand it.

As you can see, I belive that on both theoretical and pragmatic grounds, the oft-asserted deficit-interest rate relationship is a derivative and non-determinative one. As such, it is of little value in terms of explaining anticipated economic performance or predicting probable future exchange market developments.

However, the original question of why the dollar has risen remains.

MORE COMPLETE EXPLANATION

I submit that exchange rate movements are a function of many thousands of market investors simply seeking the most attractive environment for investments, given the array of possibilities. Accordingly, I submit that the following seems to be a more complete explanation of the market changes we've seen recently.

Institutional investors alter exchange rates by shifting their portfolio preferences toward investments in countries where the anticipated relative after-tax, real rate of return from investments is higher, given comparable maturity and financial uncertainty and similar sovereign risks. And, when investors sense that there are current or prospective developments that will significantly alter anticipated relative rates of return to capital, they realign their investment preferences. Over time, the resulting flows of international capital help to achieve a more efficient allocation of resources on a worldwide basis.

Exchange rate movements are a function of investment preferences at a country level. However, the movements are a product of the relative attractiveness of all of the "portfolio" options within an individual country. Basic investment options within a country such as real estate, equity, and fixed income investments can be further divided by maturity and risk. The after-tax real rate of return for each investment type within a country drives the demand, or relative attractiveness, of a given currency and consequently direct and cross-rate currency exchange trends.

After-tax real rates of return are a function of the overall economic and political environment impacting the investment decision. To understand this fully, one must analyze each of the individual components in a country <u>relative</u> to other countries and investment vehicles relative to <u>other</u> investment vehicles in a country over the term of the investment.

Several of the key components for major currency countries are:

-- Sustainable economic growth prospects in a country <u>relative</u> to all others

-- Nominal pretax rates of return from equities, real estate, or fixed income securities <u>relative</u> to all others

-- Projected inflation rate in a country <u>relative</u> to all others

-- Effective tax rates on investments in a country <u>relative</u> to all others

-- Capital market conditions in a country <u>relative</u> to all others

-- Government regulations and social rigidity in a country <u>relative</u> to all others

-- Sovereign and political risk in a country <u>relative</u> to all others

I submit that it is the aggregate of these factors in each country <u>relative</u> to other key currency nations <u>at the margin</u> that determines present and future exchange rates.

At any point in time, the factors are weighted differently by diverse investors and are continually changing to reflect their disparate scenarios for the future. It is the daily interaction of thousands of international institutional and corporate investors' collective response to those factors that provides the fundamental levels in exchange rates and the day-to-day volatility.

While I cannot present a precise mathematical equation to calculate or predict exchange rates, I believe this suggested analytical framework is more comprehensive than most in making strategic portfolio decisions. As such, it suggests a model for evaluating the dollar's strong performance in recent years and drawing implications for future micro-economic policies for your firm and macro-economic policies for the nation. Let me briefly discuss each element.

Economic Growth and Vitality

The first factor in this framework is the relative overall economic performance of the major countries. Shifts in comparative performance do lead to shifts in both the direction and size of international capital flows. All other things held constant, a nation with a strong growing economy with relatively higher rates of return will result in institutional and personal investors preferring assets denominated in that nation's currency.

Clearly, in absolute terms there has been a dramatic improvement in U.S. economic performance over the past two years. But, we too often forget that relative to other countries, it has improved even more over the last several years.

The four largest European economic countries are estimated to have averaged 2.3 percent growth in 1984, about the same as in 1979-80. Japan's growth is estimated at about 5 1/2 percent, a bit above its 1979-80 average of 5 percent. By contrast, our 6.8 percent real GNP growth in 1984 compares with a U.S. average of slightly over one percent in 1979-80. While Japan is virtually flat and most major European countries are back only to the growth rates they achieved in the 1970s, the real growth rate in the United States has sextupled over the same period.

While the United States has grown more rapidly than both Europe and Japan, the relative U.S. increase is larger vis-a-vis Europe. Thus it is not surprising that the yen has fallen much less against the dollar than have the European currencies. Consequently, since early 1981, the yen has strengthened notably against European currencies, rising 28 percent to record levels against the DM.

Against this background, it is not surprising that on a relative economic performance basis, the United States currency has out-performed the rest of the world just as our economy has.

Inflation

In terms of inflation, in recent years the United States looks much better in both an absolute sense and relative to other major industrial countries.

Inflation rates have been cut in half abroad, but by three-fourths in the U.S. Our inflation rate was 12-13 percent in 1980 but was down to 3.7 percent in 1984 as measured by the GNP deflator. This is below the European average of 6 percent, and closer to Japan's 2 1/2 percent. The point is: as excellent as our absolute performance is on inflation, it is even more impressive relative to the improvements in the rest of the world.

Again, all other things being held constant, the anticipated real rates of return in the U.S. have improved on a comparative basis with other SDR countries. And, consistent with my portfolio theory, the U.S. currency has strengthened against other currencies to reflect this relative improvement.

Taxes

A third and far too often ignored factor that influences investment flows is relative national tax policies. Again, let me stress, it is after-tax results, not before-tax returns that count. You can't reinvest pre-tax earnings, only after-tax cash flows.

Again, the changed tax environment in the U.S. is relatively much more attractive today. More favorable depreciation allowances and credits, combined with lower effective corporate income tax rates and lower individual marginal rates, have increased cash flow from business and individual investment and contributed to higher after-tax returns from fixed income investments (CDs, corporate, and government bonds) as well as direct equity investments, and real estate relative to other SDR countries.

Capital Markets

The next factor to consider is capital market conditions. Without question, the U.S. has the largest and deepest capital market in the world. Credit is widely available for attractive projects. Our stock markets are followed daily throughout the world.

Turning to debt, overseas investors have shown the same eagerness for corporate dollar denominated bonds. Is it the nominal interest rate differentials or the currency appreciation potential on the principal that attracts them? I would suggest that U.S. observers too often neglect the latter consideration, which is often of paramount importance to the foreign investor.

Government Regulation and Market Rigidities

Another factor in investors' judgments about relative return opportunities is their assessment of future comparative business environments. Here again the United States looks strong relative to other countries.

In Europe, the extreme concern for job security and high levels of social insurance benefits have reduced the relative attractiveness of new investment and have contributed to less rather than more new employment. Last year's Economist article on "Europe's Technology Gap" is a clear critique of Europe's performance in terms of what my economist friends call "structural rigidities," which do affect exchange rates.

Indeed, my portfolio theory suggests that until Europe makes progress on eliminating its structural rigidities relative to the United States and the industrializing Asian countries on this criterion taken alone, one would anticipate continued relative weakness in European currencies.

Sovereign Risk

Finally, the political risk factor has favored the dollar in the past several years. Economic and political problems abroad have impacted investors' views of many non-U.S. investment opportunities.

These investor concerns have ranged from the impact of East European debt problems on German banks and the nationalizations in France following the Socialist victory, to worries about political instability and turmoil in the Middle East. The rise of the Greens, the metal workers strike and the political stability of the coalition are all factors in investors' views of the relative attractiveness of Germany. The LDC debt situation, especially in some Latin American countries led to massive capital flight in the 1980-1983 period. For example, a recent estimate of dollar flight from Mexico alone is $38 billion during this period.

While in some cases investor fears may have been exaggerated, the perception that the United States is a safe and secure place for funds is not. These perceptions have certainly contributed to the capital flight to the dollar observed in some recent years. And relative to any other country in the world, the United States promises to continue to have an advantage.

Interplay of Factors

Perhaps the interplay of these factors and the manner in which they have driven the dollar in the last few years can best be illustrated by the actions of foreign investors in the sunbelt commercial real estate market.

Not long ago, real estate professionals were amazed by foreign investors' demand for real estate in this region and their willingness to pay such high prices for the property. From the foreign investors' perspective, they were willing to capitalize cash flows at much lower discount rates (as low as 4 percent in many cases) and, thereby, increase the present value of the investment, due to the relative attractiveness of this type of opportunity when compared with other opportunities in other parts of the world, e.g. real estate in the Benelux countries or south of France where even nominal values have declined in recent years.

Factors such as relative economic growth and inflation expectations, a favorable tax situation, and simply the ability to get their money back drove the foreign investors' decision-making process. The U.S. real estate professionals failed to understand these underlying factors, how they had changed, and the new interdependence of worldwide markets. Those Europeans who purchased "inflated California real estate" may have seen a drop in nominal prices, but expressed in today's DM, guilders, or francs, they are way ahead, and as usual have out-performed their less sophisticated American counterparts.

Exchange Market Conclusions

As I stated at the outset, international investors alter exchange rates by shifting their portfolio preferences toward investments in countries where the anticipated relative after-tax, real rate of return from investments is higher, given comparable maturity and financial uncertainty and similar sovereign risks. And, when investors sense that there are current or prospective developments that will significantly alter future relative rates of return to capital, they react accordingly.

Long term, the dollar and our position in world financial and investment markets will be tied to our ability to develop economic policies consistent with the new rules of capital flows. Today, this means abandoning the artificial bifurcation between domestic economic policy and international economic policy.

Against this background, I would ask several admittedly rhetorical questions of those who complain that the dollar is "too high" and the government should "bring it down." How should we do that and by what policies? Are they suggesting the U.S. should have both more inflation and lower real economic growth in absolute terms and relative to other countries? Should the U.S. consciously decrease the after-tax rate of return from work, savings, and investment relative to other countries? Obviously, the answer is not an overhaul of present U.S. policies, but rather the need for a revision in other countries' policies to improve their relative investment performance outlook.

While discussing policy implications against this backdrop, we should consider the current debate on reducing the deficit. As I said earlier, many academics, Wall Street types, and associated rail birds have called for a reduction in the deficit to reduce U.S. interest rates and thereby weaken the dollar.

Let me reiterate that the Reagan Administration is clearly committed to reducing the budget deficit through spending reductions, not tax increases. However, given the framework I've outlined, the effect of reducing the deficit should be to strengthen the dollar.

A reduced deficit would reduce federal borrowing requirements, thereby reducing federal competition with the private sector for available credit. All other things being equal, this will improve the perception of sustainable non-inflationary growth in the United States relative to other countries. Given an appropriate monetary policy, this will undoubtedly result in a more attractive U.S. investment environment relative to other countries. Indeed, I submit that cutting the budget deficit through reduced government spending, will further strengthen the dollar based on my portfolio shift hypothesis.

I believe the dollar's strength reflects, not some temporary interest rate or trade balance factor, but a fundamental relative improvement in U.S. economic policies, performance and prospects compared to the other reserve currencies. And, I suggest more and more observers will begin to believe that the dollar will continue to be "strong" relative to the last half of the 1970's for the foreseeable future, until and unless other countries adopt policies which achieve more sustainable non-inflationary growth with other factors being equal.

CONCLUSION

I hope this more comprehensive portfolio shift framework and the discussion present a useful background to translate the real meaning and underlying reasons for both exchange rate levels and volatility.

My conclusion is clear. Investors around the world have re-evaluated the view they had of the United States in the late 1970's relative to the other SDR countries, and today find that the future U.S. economy is the most attractive in the world. And the degree to which the United States economy continues to be relatively attractive to other nations is dependent on our ability to make decisions on difficult domestic economic issues, because United States domestic economic policies have international implications, and the foreign exchange markets provide a daily assessment of our relative performance.

Thank you.

TREASURY NEWS
partment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
January 31, 1985

CONTACT: ART SIDDON
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Treasury Secretary Donald T. Regan will deliver a farewell speech to Treasury Department employees at 11:00 a.m., Friday, February 1, in the Cash Room in the Main Treasury Building. The event will be open to accredited press, but the Secretary will not be available to respond to questions.

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R-3006

TREASURY NEWS
epartment of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
January 31, 1985

CONTACT: BRIEN BENSON
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CASINO REGULATIONS FINAL

The Treasury Department announced today that it has issued final regulations that will require gambling casinos to report currency transactions over $10,000 and to keep records of certain transactions. This action is part of the Treasury Department's program to combat the laundering of money from illegal activities, such as drug trafficking, and tax evasion. Bank and other financial institutions have been subject to the same reporting requirements for several years. The reports will assist the IRS, Customs, and other Federal law enforcement agencies in identifying persons engaged in criminal activities.

Since banks have been filing reports of large currency transactions since 1974, criminals have sought other ways to launder their money. With the implementation of the new regulations, they will find that casinos are no longer a viable substitute for a bank as a vehicle for money laundering.

The final regulations represent the culmination of more than 18 months of analysis and consultation with the gaming industry, state gaming enforcement officials in Nevada and New Jersey, and interested Congressional leaders. Since the regulation of casinos traditionally has been a state responsibility, Treasury's regulations allow for the option of state implementation of the regulatory requirements subject to Treasury oversight.

The regulations which will go into effect on May 1, 1985, are expected to impact casinos in Nevada, New Jersey, and Puerto Rico. The regulations have been forwarded to the Federal Register and will be published the middle of next week.

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R-3007

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

FOR IMMEDIATE RELEASE
February 1, 1985

CONTACT: BRIEN BENSON
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REPAYMENT OF SOCIAL SECURITY BORROWING

The Treasury Department announced today that a total of \$4,360 million has been repaid by the Old Age and Survivors Insurance Trust Fund to the Federal Hospital Insurance Trust Fund and to the Federal Disability Insurance Trust Fund. This is the first repayment by the OASI Trust Fund on loans totaling \$17,518 million received in 1982 to assure payment of OASI benefit checks.

Under section 201(l) of the Social Security Act, as amended by the Social Security Amendments of 1983, OASI is requires to make partial repayment to the loan from the FHI Trust Fund when, at the end of a calendar year, the combined balance of the OASI and DI Trust Funds exceeds 15 percent of the estimated expenditures for the following year. The payment must be made by the following January 31. At year end 1984, the combined OASI and DI Trust Fund balance exceeded 15 percent of estimated 1985 expenditures by \$1,824 million. Accordingly, this amount is being repaid to the FHI Trust Fund as payment on its total loans of \$12,437 million.

The Secretary of the Treasury also determined, as provided by section 201(l) of the Social Security Act, that the OASI Trust Fund has sufficient assets to repay to the DI Trust Fund \$2,540 million of the \$5,081 million the OASI Trust Fund borrower from that fund. This will approximately equalize the relative financial position of those two trust funds in the near term.

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R-3009

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

For Release on Delivery
January 28, 1985

STATEMENT OF THE HONORABLE JOHN M. WALKER, JR.
ASSISTANT SECRETARY (ENFORCEMENT & OPERATIONS)
U.S. DEPARTMENT OF THE TREASURY
BEFORE THE
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
UNITED STATES SENATE

Money Laundering: The Problem and Law Enforcement's Response

Mr. Chairman, I am pleased to appear before you to report on steps the Treasury Department has taken, in conjunction with the initiatives of this Administration, to attack the money laundering that supports drug trafficking and other organized crime.

At the outset, I would like to express Treasury's appreciation for your efforts on behalf of law enforcement in general, and Treasury law enforcement in particular. You have advanced our government's fight against crime through your support for the President's legislative initiatives, which were enacted last session as the Comprehensive Crime Control Act of 1984. You have developed additional legislation to fight money laundering by strengthening the Bank Secrecy Act. In addition, you have sponsored legislation banning the manufacture of armor-piercing ammunition, and secured Congressional approval for enhancement of the enforcement resources of the U.S. Customs Service. In particular, as a result of your leadership, Customs has increased its inspectional and investigative forces here in New York to improve its ability to detect and seize drugs, particularly heroin, being smuggled into the country.

Mr. Chairman, as shown by a Roper poll reported last year in USA Today, crime and drugs constitute the number one problem on the minds of Americans today, ranking ahead of unemployment, inflation, health costs and nuclear arms limitation. The menace of drug abuse simply must be brought under control. This Administration considers law enforcement a top priority and, under President Reagan's leadership, we have made important strides in the fight against crime and against drug trafficking in particular. Our major initiatives, including the South Florida Task Force, the Organized Crime Drug Enforcement Task Forces and the National Narcotics Border Interdiction System, are achieving successes every day. But our battle has just started. I am reminded of the words of Sir Winston Churchill, spoken at the successful completion of the campaign in North Africa: "Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning."

In my testimony today, I will describe a nontraditional weapon in our arsenal against organized crime and drug trafficking, one that has been vital to the excellent start that we have made. That weapon is the financial investigation that allows us to go after the money that is at the heart of every criminal enterprise. I will also explain problems posed by money laundering and actions taken by Treasury, together with other departments and agencies, to solve them. I will briefly summarize how Customs and IRS are using the Bank Secrecy Act to uncover and disrupt criminal organizations. I will then discuss new international and regulatory measures that will further improve our enforcement in this area.

The Money Laundering Problem

The seriousness of the money laundering problem facing us cannot be overstated. Just as drug abuse has infiltrated every group and social stratum in our society, the lure of easy, almost limitless wealth has drawn previously law abiding individuals into providing professional financial services to drug trafficking organizations. Professional financial services are essential to a narcotics organization: they create a protective shield between those who actually move drugs into this country and the law enforcement investigators attempting to uncover their operations. They provide this cover by concealing assets, forming shell corporations, arranging false loans, employing couriers to carry bales of cash, making wire transfers, and using any other scheme, limited only by the human imagination, to remove the assets and profits of the criminal organization from the scrutiny of law enforcement and the general public.

The money laundering and illicit financing that support the drug trade are not carried out solely by what is commonly perceived as the criminal underworld. Our financial investigations have exposed members of a wealthy, highly skilled, professional class, many of whom do not have previous criminal records, some of whom are highly respected members of their communities. They are attorneys, accountants, bankers and money brokers.

Nor is money laundering confined to any particular region of the country. The problem is a national problem, one that is nearly as pervasive as the drug abuse problem that underlies it. Wholly apart from the enormous social costs of the drug trafficking that it supports, money laundering itself seriously cripples our society. It undermines trust in our financial institutions. It provides conduits for tax evasion and growth opportunities for various other organized criminal enterprises -- including illegal gambling, loansharking, prostitution and extortion. But its most insidious effect is to provide the financial support for further criminal activity, especially new narcotics ventures.

I mentioned a moment ago that the money launderer uses a broad array of schemes to conduct his illicit activities. Commissioner von Raab, in his testimony today, will cite a number of specific examples of these schemes drawn from actual cases. Rather than repeat them here, I would like to give a single illustration of how a money launderer, using a relatively simple scheme, can frustrate law enforcement efforts. A drug trafficker provides him, for example, $10,000,000 in cash to be washed. The launderer sets up a phony company in the United States to eventually receive the laundered funds. He then has couriers physically carry the narcotics proceeds to Panama and deposit them into corporate accounts there. Because Panamanian accounts are protected by stringent local bank secrecy laws and the corporate account holders are also protected by attorney confidentiality, U.S. federal investigators have no means of determining their true ownership. The launderer then arranges to have the $10,000,000 wired to a corporation in the Bahamas. Bahamian law, as you know, provides both secrecy for bank accounts and corporate secrecy. U.S. law enforcement is not able to "pierce the corporate veil" to learn the true ownership of the company or companies involved. Finally, the Bahamian company pretends to loan the $10,000,000 to the front corporation that the money launderer established for his criminal client in the United States. In this way, the money launderer accomplishes his task of repatriating the funds in the form of a nontaxable loan which might then be reinvested in a legitimate business, for example, real estate. In addition, he also creates a pretext for a tax deduction on the interest paid on the loans. These interest payments, of course, are fraudulent since, in effect, they consist of payments to oneself and are in no respect interest on any actual indebtedness.

In my example, the money launderer, apart from the subsequent tax offenses, clearly violates the law when he does not report the transportation of currency as it leaves the country. Without some hard intelligence regarding this transportation, however, this activity is exceedingly difficult for Customs to detect. Additionally, the tax violations he orchestrates are difficult for IRS to uncover and prove, for Bahamian law prevents IRS investigators from developing evidence that the loan is a sham.

Our Response: The Task Force Concept

Treasury has uncovered schemes similar to the example I have described by using the tools the Bank Secrecy Act provides. While foreign bank and corporate secrecy laws hinder the investigation of offshore money laundering, the Act and its implementing regulations still make it possible to pursue leads based upon financial information. In this respect, the Bank Secrecy Act presents a significant hurdle, perhaps the most significant hurdle, that the money launderer must overcome. Another major threat to the money launderer is the Internal Revenue Code. The Internal Revenue Service targets over 25% of its direct investigative time to the prosecution of drug traffickers for tax violations. The IRS, along with the Customs Service, also plays a major role in enforcing the Bank Secrecy Act.

However, it is clear from the spectrum of methods used by drug traffickers and their financial agents that any single law enforcement approach - be it tracking the money or tracking the drugs - is not enough. The Task Force concept, which Treasury and this Administration have employed to combat money laundering, has shown substantial promise in part because it combines all of the statutory weapons we have available, including various narcotics statutes, the Bank Secrecy Act, the Internal Revenue Code and RICO. Task Force investigations are commonly coordinated by Federal prosecutors and integrated with the grand jury process.

Task forces are effective because they combine the particular investigative skills of different law enforcement agencies. IRS, Customs, DEA, ATF and the FBI all participate in various task forces now investigating money laundering and organized crime. Agencies working in combination produce better results because they can maximize the exchange of information which might otherwise be impeded by agency parochialism. A third advantage is that financial investigative techniques, focusing on the financial underpinnings of a drug organization, are fully integrated into the overall investigative process.

The Treasury Department's own financial task forces, of which there were only two when this Administration began, now number forty. Situated throughout the United States, they direct the investigative work of IRS and Customs agents against the financial base of every type of criminal organization. One of the first task forces, Operation Greenback in Miami, has served as the model. In his testimony today, Commissioner von Raab will present some statistics to give you an indication of the effect that these Treasury task forces have had.

As you know, Mr. Chairman, financial investigations are an essential component of a larger, Administration-wide initiative - the Organized Crime Drug Enforcement Task Force Program (OCDE). This is wholly independent of the Treasury financial task forces to which I just referred. President Reagan announced his intention to create these OCDE Task Forces in October, 1982. Twelve were in place by early 1983, but have been fully operational for only 18 months. A thirteenth was added this year. In this short time the OCDE Task Forces have initiated approximately 800 investigations. They have indicted over 4,000 drug traffickers and money launderers, of whom more than 1,500 have been convicted. I hasten to point out that the high defendants-to-cases ratio is the intended result of a deliberate targeting of criminal organizations rather than individual offenders.

Treasury has played a major role in the OCDE Task Forces from their initiation. In fact, fully two thirds of the OCDE investigations have a major financial component. IRS has contributed 220 special agents to these Task Forces and Customs has contributed 183. Treasury's Bureau of Alcohol, Tobacco and Firearms has contributed 84 special agents to investigate the explosives, firearms and arson violations that result from drug trafficking and organized crime.

All of the Treasury task forces, as well as all of the President's OCDE Task Forces, now use the information and investigative support of the Treasury Financial Law Enforcement Center, or TFLEC, which we created within Customs in 1982. TFLEC is both a computerized clearinghouse and an analytical center for information obtained from Bank Secrecy Act reporting. It provides intelligence, generates leads for new investigations, and provides analytical support for existing ones. Commissioner von Raab will describe the functions of TFLEC in further detail.

Money Laundering Cases

Mr. Chairman, in addition to the statistics I have mentioned, the effectiveness of our financial investigations can be demonstrated by the types of cases they have produced.

Treasury's Greenback and El Dorado task forces have, in the last few years, destroyed or targeted eighteen major money-laundering organizations. The following major cases are ranked according to the documented size of the operation involved:

Cases that have already resulted in convictions	Dollars laundered	Time frame
Isaac Kattan	$500,000,000	3 years
Beno Ghitis	268,000,000	5 months
Orozco	145,000,000	13 months
Armenteros, et al.	130,000,000	8 years
Great American Bank	95,000,000	13 months
Zapata, et al.	17,000,000	8 months
SUBTOTAL:	$1,155,000,000	
Pending cases		
A	$300,000,000	3 years
B	300,000,000	8 years
C	250,000,000	20 months
D	230,000,000	3 years
E	180,000,000	2 years
F	140,000,000	8 months
G	70,000,000	8 months
H	65,000,000	1 year
I	60,000,000	1 year
J	20,000,000	18 months
K	14,000,000	1 year
L	9,000,000	3 months
SUBTOTAL:	$1,638,000,000	
TOTAL:	$2,793,000,000	

The size of these money laundering organizations gives an indication of the enormous wealth generated by the narcotics trade. While south Florida remains the area of the highest concentration of international drug trafficking and money laundering, the OCDE Task Forces are uncovering major drug and organized crime cases in New York and elsewhere. Only a fully coordinated, nationwide approach can be expected to bring the problem under control.

Here in New York, I am sure many citizens are familiar with the Orozco investigation, which destroyed a money laundering organization that had laundered in excess of $145 million and transported $42 million in currency from Panama to the United States in a thirteen-month period. It was the largest case of its kind ever prosecuted in the New York area. Eduardo Orozco and six of his associates were convicted or pleaded guilty. Orozco himself was sentenced to eight years imprisonment and fined $1,035,000. The Orozco case began with financial information generated under the Bank Secrecy Act. It was investigated jointly by Customs, DEA and IRS, and supported to a great extent by TFLEC analyses.

Another case in New York attracted national attention last April when an OCDE Task Force investigation, known as the pizza connection investigation, resulted in the indictment of 31 individuals on Federal charges stemming from heroin importation and distribution. In five years, this organization distributed $1.65 billion worth of heroin and laundered at least $28 million in heroin proceeds, principally through banks in foreign countries, in a 33 month period. The case is currently scheduled for trial in June.

A second investigation by the New York OCDE Task Force culminated last June, after a one and one-half year investigation, in the indictment of the Global Union Bank and a former bank officer. The charges resulted from alleged reporting violations under the Bank Secrecy Act in connection with approximately $1.1 million in cash deposits. IRS Special Agent Mike McDonald, who is the IRS Task Force Coordinator in Miami, will describe this case in more detail in his testimony today.

Mr. Chairman, cases similar to these are under investigation all across the United States. For instance, last June 5th, a coordinated interagency investigation by the President's South Carolina OCDE Task Force resulted in the indictment of 31 individuals for their alleged operation of a large marijuana importation scheme. The suspects are believed to have imported over $100 million worth of marijuana and hashish into East Coast states over the past six years.

On January 9th of this year an OCDE task force investigation in Virginia resulted in the indictment of 26 individuals for their alleged participation in a huge marijuana importation scheme. In addition to charges under Federal drug laws, including Continuing Criminal Enterprise, the indictment includes charges for currency violations. The operation is believed to have realized profits of $100 million over a ten-year period and to have laundered proceeds through retail stores across the nation that deal in oriental rugs and gems. The government has seized a $1.7 million farm near Leesburg, Virginia, in connection with this case and is seeking its forfeiture under the Continuing Criminal Enterprise law. The government has also sought forfeiture of $13 million in other assets.

Trends in International Money Laundering

Money launderers have reacted to this Administration's crackdown on domestic money laundering by increasing their use of offshore banks in countries with strict bank secrecy laws. We have responded to this trend by seeking agreements from these offshore havens to provide the United States disclosure of financial and banking information for law enforcement purposes. Last July 26th, as a result of the efforts of the Departments of Justice and Treasury, the United States concluded an agreement with the United Kingdom allowing U.S. prosecutors to secure documents located in the Cayman Islands. When implementing legislation by the Cayman Islands comes into effect, U.S. law enforcement will have a mechanism to obtain documents relevant to criminal or civil proceedings arising from narcotics activity. In addition, we are currently negotiating with law enforcement officials of the Republic of Panama to secure an agreement for the exchange of financial information connected with money laundering. We will continue to push for progress on this front.

Regulatory Amendments to Combat Money Laundering

To respond further to the trend in offshore money laundering, Treasury has proposed regulations under which the Secretary can require specified U.S. financial institutions to report to Treasury their transactions with foreign financial institutions.

In exercising this new authority, Treasury would determine which foreign financial institutions to make subject to reporting on the basis of available information indicating unusual transactions. We would require reporting on a selective basis, mindful of the need to avoid unnecessary interference with legitimate commercial transactions. Overall, we believe it will allow us to focus our analytical resources in a way that is more likely to uncover potential illicit activity for specific investigative targeting.

Another problem we have recently confronted is the use of casinos to launder illicit cash. Treasury has become aware that drug traffickers and money launderers are using casinos to exchange and transfer proceeds of illegal activity. Last year, in response to this concern, we published proposed regulations to include casinos in the class of financial institutions subject to reporting and recordkeeping requirements under the Bank Secrecy Act. Because casinos are also closely regulated by state agencies, we included a provision under which Treasury will consider plans submitted by states that would provide for a system of reporting and recordkeeping within a state regulatory scheme that meets the objectives of Treasury's proposed rule. If Treasury considers a state plan fully acceptable, it will exempt the casinos in that state from the Federal reporting and recordkeeping requirements under Title 31.

We believe these proposed regulatory changes will facilitate our investigative work and, at the same time, create a stronger deterrent to the financial crimes associated with drug trafficking.

Possible Improvements to Our Government's Ability to Combat Money Laundering

The international efforts and regulatory changes that I have mentioned will, I believe, increase Treasury's effectiveness in combating money laundering. But as you know, Mr. Chairman, the challenge money laundering poses for law enforcement is both enormous and continuing. We must be vigilant in seeking new methods of meeting this challenge.

Last October, the President's Commission on Organized Crime issued an interim report on the money laundering threat. It contained a number of recommendations for enhancing the effectiveness of the Bank Secrecy Act. We have studied carefully the recommendations dealing with administrative and regulatory matters, and we have started a program to implement them where practicable. As you are aware, other recommendations offered by the Commission call for new legislation. Some of these legislative recommendations were achieved with the passage of the Comprehensive Crime Control Act of 1984 which you supported. Still others will await Administration and Congressional consideration. One such recommendation would involve changes to the Right to Financial Privacy Act. The Commission concluded that changes are needed to allow bank employees greater latitude in informing law enforcement agencies of suspicious financial transactions. Another recommendation would establish money laundering as a separate offense under Federal criminal law.

In conclusion, I want to express my gratitude to you, Mr. Chairman, for your support of the amendments to the Currency and Foreign Transactions Reporting Act which were included in the President's Comprehensive Crime Control Act. The currency amendments provide long-needed measures for our battle against money laundering. I would also like to take this opportunity to give recognition, once again, to your successful efforts to obtain 100 additional Customs inspectors and investigators for the New York region. This enhanced manpower is particularly valuable in enabling Customs to be more effective in fighting the smuggling of heroin, the drug that over the years has had such devastating consequences for the people of New York. I know I speak for the entire law enforcement community in expressing appreciation and thanks for your support in the struggle against crime and drug abuse in our society.

This concludes my prepared remarks. I would be pleased to answer any questions that the Committee may have.

JRSI
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