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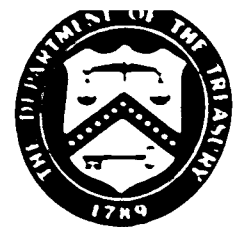
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October 15, 1990

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[Billing Code: 4810-25]

DEPARTMENT OF THE TREASURY

31 CFR PART 103

PROPOSED AMENDMENT TO THE BANK SECRECY ACT REGULATIONS RELATING
TO RECORDKEEPING FOR FUNDS TRANSFERS BY BANKS
AND TRANSMITTALS OF FUNDS BY OTHER FINANCIAL INSTITUTIONS

AGENCY: Departmental Offices, Treasury.

ACTION: Notice of Proposed Rulemaking.

SUMMARY: Treasury is proposing enhanced recordkeeping requirements relating to funds transfers by banks and to transmittals of funds by other financial institutions subject

to the Bank Secrecy Act. Each domestic bank involved in a funds transfer will have to retain certain information about the transfer. The amount and type of information will depend upon the bank's role in the funds transfer process. In addition, banks will be required to verify the name and address and obtain additional identifying information on originators and beneficiaries of funds transfers who are not deposit accountholders. Financial institutions other than banks that transmit and receive funds will have similar recordkeeping requirements. Finally, the regulations permitting Treasury to target for reporting certain transactions with foreign financial institutions are proposed to be amended to permit Treasury to require reports of all funds transfers by banks and transmittals of funds by financial institutions other than banks.

DATE: Comments are due on [45 DAYS FROM THE DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: Comments should be sent to Amy G. Rudnick, Director, Office of Financial Enforcement, Office of the Assistant Secretary (Enforcement), Department of the Treasury, Room 4320, 1500 Pennsylvania Avenue, N.W., Washington, D.C. 20220.

FOR FURTHER INFORMATION CONTACT: Linda Noonan, Senior Counsel for Financial Enforcement, Office of the Assistant General Counsel (Enforcement), (202) 566-2941.

SUPPLEMENTARY INFORMATION:

The Bank Secrecy Act, Pub. L. 91-508 (codified at 12 U.S.C. 1829b and 1951-1959, and 31 U.S.C. 5311-5326), authorizes the Secretary of the Treasury to require financial institutions to keep records and file reports that the Secretary determines have a high degree of usefulness in criminal, tax and regulatory matters. The primary purpose of the Bank Secrecy Act is to identify the sources, volumes and movements of moneys moving into and out of the country and through domestic financial institutions. See H.R. Rep. No. 975, 91st Cong., 2d Sess. 11-13 (1970). In exercising this far-reaching authority, Treasury has been mindful of issues concerning implications of foreign laws and has been careful not to encumber the free flow of legitimate international trade and commerce.

On October 31, 1989, Treasury published an Advance Notice of Proposed Rulemaking to deal with the problem of money laundering through the international funds transfer system. 54 FR 45769. Funds transfers are a series of messages to and through one or more banks that are intended to result in the payment of funds from one person to another. This usually is accomplished through a debit to the account of the person sending the money (the "originator") and a corresponding credit to the person receiving the funds (the "beneficiary").

Money laundering is a vital component of drug trafficking and other criminal activity throughout the world. Currently, illegal funds are being transferred domestically and from and to the United States and "cycled" through intricate money laundering schemes involving international payments, particularly funds transfers. Several recent money laundering operations, which have been discovered by Treasury and other Federal law enforcement agencies, such as Operations C-Chase and Polar Cap, are testaments to this phenomenon. In an April 26, 1989, submission to the Director, Office of National Drug Control Policy, reprinted in the Congressional Record of May 18, 1989, the American Bankers Association stated that, "Funds transfers, which are essentially unregulated, have emerged as the primary method by which high volume launderers ply their trade." 135 Cong. Rec. S5555.

The Advance Notice of Proposed Rulemaking focused on funds transfers through banks. There is also a serious money laundering problem involving non-bank financial institutions that are subject to recordkeeping and reporting requirements of the Bank Secrecy Act, such as transmitters of funds and telegraph companies. Therefore, this proposal also addresses recordkeeping by these financial institutions which respect to funds they transmit and receive.

MAJOR COMMENTS RECEIVED TO THE ADVANCE NOTICE OF PROPOSED
RULEMAKING

In the Advance Notice, Treasury set forth seven different regulatory proposals that it was considering implementing.

There were a total of 114 comments on these proposals. Of those comments, 81 were from banks. The remainder were from non-bank financial institutions, trade associations, government agencies, and other miscellaneous institutions and individuals. Generally, most of the commenters noted their opposition to drugs and their desire to assist in fighting the problem. However, they also noted that the essence of the automated international payments system is the speed with which it moves funds and that anything which slows down the system would make United States banks less competitive. Most commenters also pointed out that the vast majority of international payments are legitimate.

In addition, many commenters noted that some of the proposals might violate foreign privacy laws and that Treasury should be sensitive to other countries' concerns. Other commenters suggested that the proposals, if adopted, would unreasonably burden the international payments system and financial institutions in general. The comments expressed concern that regulations would be costly to implement, and they suggested that

Treasury focus on other money laundering "choke points," e.g., the points where cash enters the financial system, to detect criminal activity.

Treasury appreciates the willingness of financial institutions to cooperate in combating drug trafficking and money laundering. In developing the regulations proposed today and in considering any final regulations, Treasury will balance the law enforcement need for the information against the costs to financial institutions and the effect on the payments system and the free flow of legitimate funds through the funds transfer process. Treasury understands that privacy laws in other countries may prohibit financial institutions from disclosing the names of customers to United States financial institutions on a routine basis, and has taken this into account in issuing the proposed regulations.

The comments also raised questions about the use of domestic funds transfers to launder money, and suggested that the regulations cover both domestic and international funds transfers. Currently, section 103.33 of the regulations, 31 CFR 103.33, requires only records on certain international funds transfers, not information on domestic funds transfers. In response to these comments, Treasury has included in the proposed regulations provisions that cover both domestic and international funds transfers. Records on domestic funds transfers have been

included because often it is impossible for a financial institution to know whether an incoming funds transfer originated abroad or whether an outgoing funds transfer is destined ultimately for a place outside the United States.

Comments Received on Specific Proposals:

#1: Require a report or record by the financial institution originating or receiving an international wire transfer of funds for a customer which includes identifying and account information about the originator, beneficiary and the person on whose behalf the payment was made or received and whether the sender or receiver is aware of any separate payment instructions regarding the payment unknown to the financial institution.

#2: Require that all international wire transfer messages contain all known third party identifying information, e.g., account numbers, addresses, and names of the originator and beneficiary of the payment.

The vast majority of the comments received by Treasury were directed at these two proposals. Generally, if commenters expressed a preference, it was for recordkeeping, not reporting. In addition to the general comments, many commenters noted that the funds transfer system was highly automated with no manual review, and that any requirement to delay a transfer in order to

verify information would disrupt international payments. The commenters requested that, if Treasury were to require reporting, the report contain only "known" information, with the preference for it being filed electronically. Most commenters stated that it was easier to get information on transfers that originated in the United States, as opposed to transfers that originated from abroad, because United States financial institutions can more readily obtain information about transfers originating at their institutions. Many commenters noted that foreign financial institution privacy laws would prohibit foreign banks from providing the name of a foreign originator.

There was a split of opinion among the commenters on whether exemptions should be permitted to any reporting or recordkeeping requirements for funds transfers. Those expressing concern about exemptions were worried that the system would be modeled after the currency transaction reporting exemption system, i.e., on an account-by-account basis. Those in favor of exemptions suggested a broad exception program instead, suggesting that exceptions be permitted for categories of transactions such as transfers conducted for: corporations traded on one of the public stock exchanges; the bank's own account; a company rated by one of the securities ratings services or recognized by a credit ratings service; public utilities; government agencies; and businesses who make regular transfers commensurate with their business activity.

Many commenters suggested some sort of monetary threshold for records or reports for funds transfers, such as \$10,000. Several commenters stated that Treasury should be clearer about the terminology used, and that any regulation should use the same terminology as is used in proposed Uniform Commercial Code (UCC) Article 4A on funds transfers. There was concern over whether a transaction had to be refused or payment delayed if the required information was not available.

Finally, there also were questions concerning the ability of a financial institution to determine whether an apparently domestic funds transfer was part of an international payment. This is because where intermediary financial institutions are used in many funds transfers, the originating financial institution or beneficiary's financial institution may not be aware when a particular payment order relates to funds originating with an international funds transfer. Some commenters recommended that the same recordkeeping requirements be placed on all transfers -- domestic and international. Several commenters noted that it would be administratively easier for them to keep the records on all transfers.

Treasury has decided to propose only enhanced recordkeeping requirements at this time. Reporting of international funds transfers or of categories of funds transfers is still under consideration. Treasury is considering either routine reporting

or only reporting of suspicious funds transfers, based on a suspicious transfer profile developed by Treasury and supplemented by individual institutions. Treasury continues to be interested in comments on the concept of reporting and how reporting would relate to recordkeeping measures taken in response to this proposal.

Under the proposed regulations, domestic banks, depending upon their role in the funds transfer process, (originator's bank, beneficiary's bank, or intermediary bank), will have to keep certain records on all funds transfers, regardless of amount. Generally, there are no exemptions from recordkeeping requirements under the Bank Secrecy Act. However, Treasury is proposing that funds transfers between domestic banks for their own accounts will be exempt from these recordkeeping requirements in view of the lack of law enforcement utility for such records. In the future, if Treasury proposes reporting of funds transfers, Treasury will consider other appropriate exemptions.

Treasury agrees that, in many situations, it is not apparent whether the funds involved in a funds transfer are domestic or international in origin. Treasury has determined that there is law enforcement value in having records of all transfers. Therefore, Treasury is proposing that the recordkeeping regulations apply to both international and domestic transfers.

#3: Require that prior to originating international payments on a customer's behalf, either through a book entry transfers of credit or through international wire transfers of funds, financial institutions apply model "know your customer" procedures to verify the legitimate nature of the customer's business and that the transfers are commensurate with legitimate business activities.

Many commenters stated that they felt that a "know your customer" procedure made good business sense. Many also noted, however, that the nature of funds transfers was different from the nature of currency transactions and that different procedures should be applicable. Most commenters have difficulty with any requirement that they verify the nature of the customer's business and the amount of the transactions, because they would be unable to determine prior to the transfer (or even after) that the customer's business was legitimate and that the amount of the funds transfer was commensurate with the customer's legitimate business. Several commenters asked Treasury to provide guidance or prescribe what the procedures would be and to propose uniform industry standards. More than one commenter noted that the guidelines should avoid reliance on subjective factors.

Several commenters felt that it was not part of their function as a financial institution to investigate in detail the legitimate nature of a customer's business. However, others

thought that know your customer procedures should be extended to all areas of a financial institution in order to protect the financial institution against money laundering, and that they would have no problem in attempting to determine whether a funds transfer was commensurate with the customer's business. Several commenters already have know your customer procedures. Some commenters suggested reviewing the funds transfer after it is completed so as not to disturb the payment process.

After consideration of the comments, Treasury has decided not to pursue this option at the present time, but plans to address this topic in the future in connection with mandatory and comprehensive know your customer procedures for financial institutions. In the meantime, Treasury is encouraged by the many financial institutions who have voluntarily instituted know your customer policies and procedures and reminds all financial institutions to familiarize themselves with their customers' activities to become aware of any suspicious activities or deviations from their normal activities in the funds transfer and other areas. Unless a financial institution knows its customers, it will be vulnerable to money laundering and will not be able to fulfill its obligation to report possible criminal violations of law. See e.g., 12 C.F.R. 21.12.

#4: Require special identification procedures and recordkeeping or reporting of international payments sent or received without

established account relationships at financial institutions.

There was a consensus among the commenters, at least for those financial institutions who do PUPID (pay upon proper identification) funds transfers, that they are willing to put into place reasonable special identification procedures for noncustomers receiving funds transfers. Some suggested that the procedures not require more information than is currently required when filling out a Currency Transaction Report on currency transactions exceeding \$10,000.

Many banks said that they do not originate funds transfers for nondeposit accountholders or that, if they permit them, they only originate payment orders for small amounts, (e.g., \$1,000) and rarely or never receive incoming transfers for nondeposit accountholders. Of those banks which receive these transfers, most said that they ask for at least one piece of identification before releasing the funds to the beneficiary.

Information on originators and beneficiaries who do not have account relationships with banks often is lacking or cannot be retrieved making it difficult for law enforcement authorities to trace funds transfers. Thus, after consideration of the comments, Treasury has decided to propose special identification procedures for funds transfers involving originators or beneficiaries of funds transfers who are nondeposit

accountholders.

#5: Require that financial institutions develop a suspicious international wire transfer profile and report suspicious payments to Treasury; the profile might include certain criteria suggested by Treasury, for example, the presence of large currency deposits prior to an outgoing transfer or the existence of an incoming transfer followed by issuance of a cashier's check

It was the overwhelming opinion of the commenters that Treasury, not the financial institutions, should develop suspicious wire transfer profiles, or that financial institution regulators and/or a group of financial institutions should develop the profile. Many commenters felt that they did not have sufficient expertise to develop profiles on their own and indicated that it is often difficult to distinguish between suspicious and legitimate transactions. Some commenters pointed out that because the nature of a funds transfer is different from the nature of currency transactions, it is more difficult to determine what is suspicious activity.

Several commenters stressed that because the funds transfer system is automated and most payment orders are not reviewed before they go out, regulations requiring review prior to transmittal could stop the payment order, and impede the international payments system. Most commenters also noted that

their internal computer systems are not integrated and that, as a result, they cannot determine what account activity preceded a funds transfer, e.g., whether there had been a recent large cash deposit.

One bank commenter said that it produces a weekly suspected money laundering report and runs the information against variable parameters to identify activity that is suspicious in relationship to an account's overall activity. Another commenter said that it could use its current capability to sort funds transfer activity by customer and account officer and have the account officer identify unusual patterns of activity by certain customers. Some commenters noted that the guidelines should be objective, specific and clear so that the financial institution will not be "second-guessed" at a later date if they do not file a suspicious activity report.

After consideration of the comments, Treasury has decided not to require reporting of suspicious funds transfers at this time. However, Treasury is encouraged by the many financial institutions that have developed suspicious funds transfer profiles and encourages other financial institutions to develop their own programs to identify suspicious funds transfers and other suspicious activity. Treasury strongly urges financial institutions to report suspicious activity, including suspicious funds transfers, to the local office of the Internal Revenue

Service's Criminal Investigation Division, and in the case of suspicious international wire transfers, notify the local office of the U.S. Customs Special Agent in Charge, and where applicable, also to file the required Criminal Referral Form with the bank regulatory agency. In order to prevent the use of financial institutions by money launderers and other criminals, currency transaction reporting and recordkeeping must be coupled with the reporting of possible violations of law or regulation.

#6: Require that: (A) when an institution, typically a bank, receives a 103.25 targeting order it must obtain to the extent possible, information from other domestic banks involved in the transfer regarding the identity of the originator or beneficiary of the transfer; and (B) that those other domestic banks cooperate in providing this information on a timely basis to the targeted institution

Because the recordkeeping requirements being proposed should obviate the need for financial institutions to obtain additional information from other financial institutions in order to respond to a targeting order issued under 31 C.F.R. 103.25, Treasury has decided not to pursue this option.

7: Add a category for international book transfers not involving wire transfers, such as transfers of credit in the books of a foreign and a domestic institution, to the 103.25 categories of

information that may be requested.

Book transfers generally are transfers of credit between affiliated financial institutions. These institutions can be foreign and domestic branches or subsidiaries of the same financial institution corporation, for example, a corporation's New York branch and its U.K. branch. Transfers between affiliates may be made without use of any wholesale wire transfer systems through private communication systems or even by telephone. Under the Bank Secrecy Act regulations, 31 C.F.R. Part 103, a foreign branch is treated as a separate financial institution.

While most financial institutions offered no objection to this proposed provision, they raised several questions about Treasury's purpose in adding a category for international book transfers not involving the use of wholesale wire transfer systems to 31 CFR 103.25. The commenters requested that Treasury be very clear about what it was referring to and asked Treasury to define all terms. Several commenters noted that they treated book transfers the same way as they treat all other types of funds transfers, and that book transfers should be subject to the same regulations as other funds transfers. Several commenters stated that they do not have foreign branches or do not do book transfers.

Treasury has decided to specify that records relating to all types of funds transfers by banks and transmittals of funds by financial institutions other than banks may be requested in any order issued under section 103.25. The term "funds transfer" as defined in the proposal would include book transfers. The proposal also specifies that if an order issued under section 103.25 calls for information about funds transfers or funds transmittals by financial institutions other than banks, all information required to be maintained with respect to the transfer required in proposed subsections 103.33(e) and (f) could be required to be furnished.

PROPOSED AMENDMENTS

Several amendments are being proposed today.

Funds Transfers through Banks

Definitions

Initially, Treasury is proposing that several additions be made to the definitions section of the regulations, section 103.11, to cover the funds transfer terminology used in the other proposed regulations. 31 C.R.F. 103.11. In response to the comments, most of the proposed definitions are based upon proposed UCC Article 4A definitions dealing with funds transfers.

A definition of funds transfer has been proposed. As noted above, a funds transfer is a series of transactions, beginning with the originator's payment order, made for the purpose of making payment to the beneficiary of the order. The term includes any payment order issued by the originator's bank or an intermediary bank intended to carry out the originator's payment order. Definitions of the various parties in a funds transfer also are being proposed. The originator or originator of a payment order is the person causing the initiation of a funds transfer. The beneficiary or beneficiary of a payment order is the person to be paid the proceeds of the funds transfer. The originator's bank is the first bank to send a payment order to carry out the originator's order. The beneficiary's bank is the bank that pays the beneficiary of the payment order. An intermediary bank is a financial institution in the funds transfer process which is neither the originator's nor the beneficiary's bank.

Example #1: Ashley Martin, a Kansas bookseller, wishes to send \$5,000 to Allingham Books in London to pay for books she is selling at her store. She goes to her bank, the Bank of Main Street, and requests that \$5,000 be transferred from her account to the account of Allingham Books in London at Kensington Bank. The Bank of Main Street uses a participant bank in the New York Clearinghouse's Interbank Payments System (CHIPS), CHIPSBank, with which it has a correspondent relationship, to make the

transfer to the Kensington Bank, with which CHIPSBank has a correspondent relationship. In this example, Ashley Martin is the originator of the payment order; the Bank of Main Street is the originator's bank; Allingham Books is the beneficiary of the payment order; Kensington Bank is the beneficiary's bank, and CHIPSBank is the intermediary bank. Some funds transfers may have more than one intermediary bank in the funds transfer chain, depending upon the correspondent relationships of the banks involved.

The proposed regulations will require retention of the "date" of the funds transfer. There are two relevant dates, definitions of which are proposed. The Execution Date is the date upon which a payment order is to be issued; normally the execution date is the date upon which the order is received by the bank originating the funds transfer. The Payment Date of a funds transfer is the day on which the beneficiary's bank is to pay the beneficiary. Many times, these two dates are the same.

Example #2: John James of Chicago requests his bank to send \$500 from his savings account on July 6 to his mother Mary Jones in Omaha, payable immediately. The bank receives the request for the transfer on July 6th and sends out the payment order the same day. Mary Jones' bank receives the payment order on July 6th and immediately credits her account for \$500. In this example, July 6th is both the execution date and the payment date.

A definition of "payment order" also is being proposed. A Payment Order is an instruction of a person to a receiving bank transmitted orally, electronically, or in writing, to pay, or to cause another bank to pay, a fixed or determinable amount of money to a beneficiary (but does not include ACH payment orders) if: (a) the instruction does not state a condition to payment to the beneficiary other than time of payment; (b) the receiving bank is to be reimbursed by debiting an account of, or otherwise receiving payment from, the sender; and (c) the instruction is transmitted by the originator of the payment order directly to the originator's bank or to an agent, funds transfer system, or communication system for transmittal to the receiving bank.

This definition includes not only traditional funds transfers through wholesale wire transfer systems, but also covers book entries, and other ways of transmitting funds by banks, for example, through a bank's internal communication system that links its foreign and domestic affiliates.

Enhanced Recordkeeping for Funds Transfers

Treasury is proposing that financial institutions be required to retain specific information concerning funds transfers except funds transfer between domestic banks for their own accounts. Under current regulations, the only information required is a record of the advice, instruction, or request for international

funds transfers over \$10,000. However, the regulation does not specify what information must be contained in the record. As a result, many financial institutions have complete, comprehensive information on their funds transfers, while other financial institutions have almost none, making it very difficult for law enforcement to trace the money and for Treasury to use its targeting authority under 31 C.F.R. 103.25 effectively. Drug and other illegal-source money is being sent through the funds transfer system domestically and internationally, in all amounts.

Treasury is proposing that the originator's bank retain the following information for each funds transfer:

- (1) the name of the originator of the payment order, and the originator's account number, if applicable;
- (2) unless the originator is a publicly traded corporation, public utility, or government agency, the name of any person on whose behalf the funds transfer was originated, if different from the originator (1);
- (3) the amount of the funds transfer;
- (4) the execution date of the funds transfer;
- (5) the payment instructions, if any;
- (6) the identity of the beneficiary's bank; and
- (7) the name of the beneficiary of the payment order, and the account number, if applicable.

Treasury also is proposing that a bank which acts as an

intermediary bank retain whatever information it receives from the preceding bank, be it the originator's bank or another intermediary bank.

Finally, Treasury is proposing that a bank retain the following information for each funds transfer for which it is the beneficiary's bank:

(1) the name of the beneficiary of a payment order (whether or not a deposit accountholder), and the account number, if applicable;

(2) unless the beneficiary is a publicly traded corporation, public utility or government agency, the name of any person on whose behalf the funds transfer was received, if different from the beneficiary (1);

(3) the amount of the funds transfer;

(4) the payment date of the funds transfer;

(5) the payment instructions, if any;

(6) the identity of the originator's bank; and

(7) the name of the originator of the payment order, and the account number, if applicable and known.

Treasury is proposing that these records be retrievable by the name of the originator and the account number of the originator, if applicable, for an originator's bank, and by the name of the beneficiary and the account number of the beneficiary, if applicable, for a beneficiary's bank. As with other records

maintained under the Bank Secrecy Act, these records may be maintained on paper, microfilm or microfiche or magnetic tape so long as they are available in readable form when requested by the Treasury Department or other law enforcement or regulatory agency. See 31 CFR 103.32.

Treasury will consider comments regarding a possible delayed effective date for certain provisions until proposed changes in the format of wire transfer messages for wholesale wire transfer systems can accommodate the additional information.

The term "on whose behalf" has the same meaning that it has with respect to currency transactions reportable under 31 C.F.R. 103.22. For further guidance in this area, financial institutions may refer to Bank Secrecy Act Administrative Ruling 89-5, dated December 21, 1989, (55 FR 1021, January 11, 1990) which discusses "on whose behalf" in the context of currency transactions reportable under 31 C.F.R. 103.22.

Treasury continues to be receptive to alternative suggestions for recordkeeping that would minimize costs to banks without jeopardizing the underlying purpose of these regulations, including suggestions for possible additional exemptions from these requirements.

If in the future, if Treasury requires reporting of funds

transfers, the information reported may also include the address of the originator, for a report by an originator's bank, and the address of the beneficiary, for a beneficiary's bank.

Nondeposit Accountholder Transactions

Treasury is proposing special identification verification and recordkeeping procedures for a bank that acts as an originator's bank for a funds transfer for a customer who does not have a deposit account at the institution. Treasury is proposing that in that instance, prior to the initiation of the funds transfer, the bank must verify the name and address of the person requesting the funds transfer, and maintain a record, in addition to any other required information, of that person's name, address, social security number, and date of birth.

Similarly, if a bank acts as a beneficiary's bank for a customer who does not hold a deposit account at that institution, the bank must verify the name and address of the beneficiary and maintain a record, in addition to any other required information, of the beneficiary's name, address, social security number, and date of birth prior to payment of the funds.

Time Deadlines

Treasury is proposing that a domestic bank which acts as

originator or originator's bank for a funds transfer have the required information prior to the initiation of the funds transfer. Because the originator's bank is located in the United States, the bank should be able to obtain the required information prior to initiating the particular payment order. The intermediary bank merely will retain whatever information is received from the originator's bank or intermediary bank preceding it in the chain of the funds transfer.

Treasury is proposing that a financial institution which acts as a beneficiary's bank for a beneficiary who is not a deposit accountholder have the required information prior to payment of the funds. A bank which acts as a beneficiary's bank with respect to a funds transfer for a deposit accountholder would be required to have the required information within 15 days after payment of the funds transfer to the beneficiary of the payment order if the information is not available at the time of payment.

In the case of a deposit accountholder, if the beneficiary's bank has been unable to secure the necessary information, including the name of the foreign originator, either from the information accompanying the payment order or by contacting the deposit accountholder, it shall nevertheless not be deemed to be in violation of the Bank Secrecy Act if: (1) it made a reasonable effort to secure such information, and (2) it maintains a list containing the names, addresses, and account numbers of the

beneficiaries of payment orders on which there is incomplete information. The names, addresses and account numbers would be made available to the Secretary upon request. This is similar to the requirement to obtain taxpayer identification numbers by banks, securities brokers and dealers, casinos, and currency dealers and exchangers. 31 CFR 103.34(a); 31 CFR 103.35(a); 31 CFR 103.36(a); 31 CFR 103.37(a). Treasury suggests that possible "reasonable efforts" would include contacting the deposit accountholder by letter or telephone and then sending a follow-up letter if there is no response to the initial communication.

Treasury stresses that it is not requiring that United States financial institutions contact foreign financial institutions for any additional information. Treasury realizes that a foreign financial institution may be precluded from providing any information because of its financial privacy laws. Thus, Treasury is requiring that United States financial institutions obtain the necessary information from its U.S. customers. Treasury recognizes that in situations where both the originator and beneficiary are outside the U.S. all of the information may not be obtainable due to the operation of foreign secrecy laws. These transactions generally are of far less interest to U.S. law enforcement authorities than transactions that begin and end in the United States.

Nonbank Transmitters of Funds

As noted above, the proposed regulations impose parallel recordkeeping requirements on financial institutions subject to the recordkeeping and reporting requirements of the Bank Secrecy Act, other than banks, which transmit or receive funds for domestically and internationally. See. 31 C.F.R. 103.11(i). These institutions may be doing business as telegraph companies or check cashers or "fronting" as other businesses, typically as travel agencies. The methods of transmitting funds by non-bank financial institutions also are diverse. The funds may be transmitted through funds transfers through banks, through private communications systems or by a telephone directive to transfer credit in a corresponding nonbank financial institution, such as a foreign exchange dealer in Latin America. However accomplished, records relating to these transmittals of funds and their receipt are of comparable law enforcement interest to records of funds transfers through banks.

Therefore, Treasury is proposing that financial institutions, other than banks, that transmit funds for customers or receive funds from other financial institutions or foreign financial agencies for payment to any person be required to retain specific information about such transmittals or receipts of funds.

A nonbank financial institution transmitting funds would be required to maintain a copy of any application or form the person initiating the transmittal completes and to record the following

information prior to transmitting funds for any person or on its own behalf:

- (A) the name, address, social security number, and date of birth of the person instructing that the funds be transmitted and the account number, if applicable;
- (B) the name of any person on whose behalf the funds were transmitted if different from (A);
- (C) the amount of funds transmitted;
- (D) the date of the funds transmission;
- (E) any payment instructions;
- (F) the identity of the person or financial institution receiving the funds on behalf of the recipient; and
- (G) the name and address of the recipient of the funds transmitted, and account number, if applicable.

A nonbank financial institution receiving a transmittal of funds would be required to maintain a copy of any form or receipt the person receiving the funds completes and to record the following information prior to making payment to any person:

- (A) the name, address, social security number, and date of birth of the person receiving the funds and the account number, if applicable;
- (B) the name of any person on whose behalf the funds are received if different from (A);

- (C) the amount of funds received;
- (D) the date the funds were received;
- (E) any payment instructions;
- (F) the identity of the person or financial institution transmitting the funds on behalf of the person who instructed transmittal of funds; and
- (G) the name and address of the person who ordered the funds transmittal, and account number, if applicable and known.

As in the case of banks dealing with funds transfers for nondeposit accountholders, a nonbank financial institution transmitting funds would be required to verify and record the identity of the person instructing the transmittal prior to transmitting funds, and a nonbank financial institution receiving funds would be required to verify and record the identity of the person receiving payment prior to making payment.

Similar to records of funds transfers maintained by banks, nonbank financial institutions will be required to maintain these records such that they would be retrievable by Treasury or another law enforcement agency by the name of the person instructing the transmittal and by the account number of that person, if applicable, for a financial institution transmitting funds, and by the name of the recipient for financial institutions receiving funds. These records would have to be maintained on-site at the financial institution transmitting or

receiving the funds and like all other records under the Bank Secrecy Act, would have to be retained for five years.

Treasury is receptive to alternative suggestions for recordkeeping that would minimize costs to non-bank financial institutions without jeopardizing the underlying purpose of these regulations.

The following are examples of the application of these recordkeeping requirements for nonbank financial institutions:

Example #3: Mary Daker, a California resident, wishes to send \$2,500 to her son Peter in Maine. She goes into the local agent of a telegraph company, tenders the funds and arranges to have payment made to her son at the office of the agent of the telegraph company in Maine where Peter Daker then picks up the funds. The agency in California communicates the payment instruction to the agency in Maine through the telegraph company's private communication network and deposits the currency to the agency's own account in California.

The telegraph company agency in California is a nonbank financial institution and its transmittal of funds would be subject to the recordkeeping requirements of proposed section 103.33(g), including the requirement that Mary Daker's identity be verified and recorded. The record would have to be maintained

on-site at the California agency. The telegraph company agency in Maine receiving the instruction to make payment to Peter is a nonbank financial institution receiving a transmittal of funds. It would be subject to the recordkeeping requirement of proposed section 103.33(f), including the requirement that Peter's identity be verified and recorded. The record would have to be maintained on-site at the Maine agency. There is no funds transfer involving a bank in this example.

Example #4: Sun and Fun Travel Agency, which also transmits funds on behalf of its customers is a financial institution for purposes of the Bank Secrecy Act regulations. Robert Smith is a customer who wishes to send \$500 to his grandmother, Maria Smith, in Peru. Robert Smith gives \$500 to Sun and Fun by a personal check. Sun and Fun contacts a foreign currency broker in Peru with which it has an established relationship. The currency broker debits an account in the name of Sun and Fun in Peru, and pays Maria Smith \$500. Sun and Fun is acting as the transmitter of funds and must record this transaction prior to initiating it under proposed section 103.33(f). Sun and Fun deposits Robert Smith's check to its account at a local bank and this transaction would be subject to the recordkeeping requirement in proposed section 103.33(f)(2). Sometime later, Sun and Fun will originate a payment to the foreign currency broker covering a number of similar transactions by arranging a funds transfer through its bank to the account of the foreign currency broker in a bank in

Peru. Sun and Fun's bank, as an originator bank, would be required at that time to make a record of the transaction as required by proposed section 103.33(e).

Example #5: Casa Check Casher in New York City operates out of a storefront in an ethnic community containing many recent immigrants. Casa is a financial institution under the Bank Secrecy Act regulations. A customer gives Casa \$3,000 (in any form, eg., cash, check or money order) to send to his mother in his native country. Casa does not have the ability to arrange for a transmittal of funds directly. Instead, Casa goes to Bank A, its local bank, where it has a deposit account and arranges for its account to be debited \$3,000 and for that amount to be transferred through a funds transfer to Bank B, a bank in the native country of Casa's customer. Bank B will arrange payment to the customer's mother. In this situation, Casa would be required to keep the records required by proposed section 103.33(f)(1)(i) as a financial institution transmitting funds.

A separate record of the funds transfer originated by Casa's bank would be maintained by Bank A pursuant to proposed section 103.33(e)(1)(i). Casa would be the originator of the funds transfer. Its customer would be the person on whose behalf Casa was originating payment.

Targeting Orders

Treasury is proposing that in section 103.25, which permits Treasury to issue orders to financial institutions to require reports of certain types of transactions with foreign financial agencies, be expanded to include in the case of a bank receiving an order, all funds transfers, including book entries, and in the case of financial institutions other than a bank, all transmittals or receipts of funds by the institution. The information that could be requested in the order would be the same information required to be maintained under proposed subsections 103.33(f) and (g).

Example #6: Metrobank has branches in New York and London. James Smith, a customer of Metrobank in New York, wishes to make payment to Michael Blank, a customer of Metrobank in London, for some paintings. He requests Metrobank New York to debit his account \$50,000 and credit it to Michael Blank in London. Metrobank New York telephones Metrobank London to convey Mr. Smith's payment order. The bank notes in its account records that \$50,000 was moved from one of its accounts to another. Information required to be retained pursuant to proposed section 103.33(e) about this transaction could be requested in an order issued under section 103.25.

SUBMISSION OF COMMENTS

Treasury requests comments from all interested persons concerning the proposed amendments. While comments on all aspects of the regulations are welcome, Treasury is particularly interested in receiving comments on how long financial institutions will need to put new regulations into effect. Treasury also is interested in comments on the appropriate format for maintaining the required records in machine-readable form if it is determined to implement routine reporting in the future. All comments received before the closing date will be carefully considered. Oral comments must be reduced to writing and submitted to Treasury to receive consideration. Comments received after the closing date and too late for consideration will be treated as possible suggestions for future action. The Treasury Department will not recognize any materials or comments, including the name of any person submitting comments, as confidential. Any material not intended to be disclosed to the public should not be included in comments. All comments submitted will be available for public inspection during the hours that the Treasury Library is open to the public. The Treasury Library is located in Room 5030, 1500 Pennsylvania Ave., N.W. Washington, D.C. 20220. Appointments must be made to view the comments. Persons wishing to view the comments submitted should contact the Office of Financial Enforcement at (202)566-8022.

EXECUTIVE ORDER 12291

In the Advance Notice of Proposed Rulemaking, Treasury asked commenters to provide information about the cost of implementing the various proposals including the proposal for enhanced recordkeeping. Treasury did not receive detailed comments in this regard which would lead us to conclude that this proposed rule if adopted as a final rule, would be a major rule for purposes of Executive Order 12291. Therefore, we have no basis to believe that the proposal will have an annual effect on the economy of \$100 million or more. It will not result in a major increase in costs or prices for consumers, individual industries, Federal, state, or local government agencies, or geographic regions. It will not have any significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic or foreign markets. A Regulatory Impact Analysis therefore is not required. However, Treasury will entertain comments on this point.

REGULATORY FLEXIBILITY ACT

It is hereby certified under section 605(b) of the Regulatory Flexibility Act, 5 U.S.C. 601, et seq., that this proposed rule, if adopted, will not have a significant economic impact on a substantial number of small entities. The requirements for recordkeeping will affect a number of small non-bank financial institutions, but we do not believe that the requirements will

pose a substantial recordkeeping burden on those entities.

PAPERWORK REDUCTION ACT

The collections of information contained in this Notice of Proposed Rulemaking have been submitted to the Office of Management and Budget for review in accordance with the Paperwork Reduction Act of 1980 (44 U.S.C. 3504(h)). Comments on the collections of information and the burden estimate should be directed to the Office of Financial Enforcement at the address noted above or to the Office of Management and Budget, Paperwork Reduction Project (1505-0063), Washington, D.C. 20503.

The collections of information in this regulation are authorized by 12 U.S.C. 1829b and 1951-1959 and 31 U.S.C. 5311-5326. The likely recordkeepers are banks that perform funds transfers or other financial institutions performing transmittals of funds for themselves or other persons.

Estimated total annual reporting and/or recordkeeping burden:
7.5 million hours.

Estimated average annual burden per respondent and/or
recordkeeper: 187 1/2 hours.

Estimated number of respondents and/or recordkeepers: 40,000

Estimated annual frequency of responses: Upon request.

DRAFTING INFORMATION

The principal author of this document is the Office of the Assistant General Counsel (Enforcement). However, personnel from other offices participated in its development.

LIST OF SUBJECTS IN 31 CFR PART 103

Authority delegations (Government agencies), Banks and banking, Currency, Foreign banking, Investigations, Law Enforcement, Reporting and recordkeeping requirements, Taxes.

PROPOSED AMENDMENT

For the reasons set forth in the preamble, it is proposed to amend 31 CFR Part 103 as set forth below:

PART 103 -- FINANCIAL RECORDKEEPING AND REPORTING OF CURRENCY AND FOREIGN TRANSACTIONS

1. The authority citation for Part 103 would continue to read as follows:

Authority: Pub. L. 91-508, Title I, 84 Stat. 1114 (12 U.S.C. 1829b and 1951-1959); and the Currency and Foreign Transactions Reporting Act, Pub. L. 91-508, Title II, 84 Stat. 1118, as amended (31 U.S.C. 5311-5326).

2. It is proposed to amend section 103.11 by redesignating present paragraphs (c) through (h) as (e) through (j); present paragraphs (i) through (k) as (l) through (n); present paragraphs (l) and (m) as (q) and (r); present paragraphs (n) through (q) as (w) through (z); present paragraphs (r) through (u) as (aa) through (dd); and by adding new paragraphs (c), (d), (k), (o), (p), (s) (t), (u) and (v), all to read as follows:

§ 103.11 Meaning of Terms.

* * * * *

(c) Beneficiary or Beneficiary of a payment order. The beneficiary of a payment order, with respect to a funds transfer, is the person to be paid the proceeds of the funds transfer.

(d) Beneficiary's bank. The beneficiary's bank, with respect to a funds transfer, is the bank that pays the beneficiary of the payment order.

* * * * *

(k) Execution Date. In connection with a funds transfer, the execution date is the date upon which a payment order is to be issued; normally the execution date is the date upon which the order is received by the originator's bank.

* * * * *

(o) Funds Transfer. Funds transfer means the series of transactions, beginning with the originator's payment order, made for the purpose of making payment to the beneficiary of the order. The term includes any payment order issued by the originator's bank or an intermediary bank intended to carry out the originator's payment order. A funds transfer is completed by acceptance by the beneficiary's bank of a payment order for the benefit of the beneficiary of the originator's payment order.

(p) Intermediary bank. An intermediary bank, with respect to a funds transfer, is a bank in the funds transfer chain which is neither the originator's nor the beneficiary's bank.

* * * * *

(s) Originator or originator of a payment order. The originator of a payment order, with respect to a funds transfer, is the person causing the initiation of a funds transfer.

(t) Originator's bank. The originator's bank, with respect to a funds transfer, is the first bank to send a payment order to carry out the originator's order.

(u) Payment date. The payment date of a funds transfer means the day on which the amount of the order is payable to the beneficiary.

(v) Payment Order. A payment order means an instruction of a

person given to a receiving bank, transmitted orally, electronically, or in writing, to pay, or to cause another bank to pay, a fixed or determinable amount of money to a beneficiary (but does not include ACH payment orders) if: (a) the instruction does not state a condition to payment to the beneficiary other than time of payment; (b) the receiving bank is to be reimbursed by debiting an account of, or otherwise receiving payment from, the sender; and (c) the instruction is transmitted by the originator directly to the originator's bank or to an agent, funds transfer system, or communication system for transmittal to the receiving bank.

* * * * *

3. It is proposed to amend paragraph (b)(2) section 103.25(b)(2) revising it to read as follows:

* * * * *

§ 103.25 Report of transactions with foreign financial agencies.

* * * * *

(b) * * * * *

(2) Funds transfers or transmittals of funds received by respondent financial institution from a foreign financial agency or sent by respondent financial institution to a foreign financial agency, including all information required to be

maintained with respect to such transaction by subsections 103.33(e) or (f) of this subpart.

4. It is proposed to amend section 103.33 by adding a new subsections (e) and (f) to read as follows:

§ 103.33 Records to be made and retained by financial institutions.

* * * * *

(e)(1) A bank shall retain either the original or a microfilm or other copy or reproduction of --

(i) the following information for each funds transfer for which it is the originator's bank:

(A) the name of the originator of the payment order, and the account number, if applicable;

(B) unless the originator is a publicly traded corporation, public utility or government agency, the name of any person on whose behalf the funds transfer was originated, if different from (A);

(C) the amount of the funds transfer;

(D) the execution date of the funds transfer;

(E) the payment instructions, if any;

(F) the identity of the beneficiary's bank; and

(G) the name of the beneficiary of the payment order, and the

account number, if applicable.

(ii) when acting as an intermediary bank for a funds transfer, any information received by the institution by the originator's bank or another intermediary bank;

(iii) the following information for each funds transfer for which it is the beneficiary's bank:

(A) the name of the beneficiary of the payment order, and the account number, if applicable;

(B) unless the beneficiary is a publicly traded corporation, public utility or government agency, the name of any person on whose behalf the funds transfer was received, if different from

(A);

(C) the amount of the funds transfer;

(D) the payment date of the funds transfer;

(E) the payment instructions, if any;

(F) the identity of the originator's bank; and

(G) the name of the originator of the payment order, and the account number, if applicable and known by the beneficiary.

(2)(i)(A) A bank which acts as the originator's bank with respect to a funds transfer for a deposit accountholder must obtain the information required in paragraph (f)(1)(i) prior to the initiation of the first payment order.

(B) Prior to acting as an originator's bank with respect to a funds transfer for a nondeposit accountholder, the financial institution must verify the originator's name and address by examination of a document that contains the name and address of

the originator and record that information and the type and number of the identification documentation reviewed. The bank shall maintain a record, in addition to the information required in paragraph (e)(1)(i), of the person's name, address, social security number, and date of birth.

(ii)(A) A bank which acts as a beneficiary's bank with respect to a funds transfer for a deposit accountholder must obtain the information required in paragraph (F)(1)(iii) within 15 days after payment of the funds transfer to the beneficiary. In the event that a financial institution has been unable to secure the required information, it shall nevertheless not be deemed to be in violation of this section if (1) it has made a reasonable effort to secure such information, and (2) it maintains a list containing the names, addresses, and account numbers of those persons originating funds transfers on which there is incomplete information. The names, addresses and account numbers shall be made available to the Secretary upon request.

(B) Prior to acting as a beneficiary's bank with respect to a funds transfer for a nondeposit accountholder, the bank must verify the name and address of the beneficiary of the funds transfer by examination of a document that contains the name and address of the beneficiary and record that information and the type and number of the identification document reviewed. In addition, the bank also must maintain a record, in addition to the information required in paragraph (e)(1)(iii), of the person's name, address, social security number and date of birth.

(4) The information required in paragraph (e)(1)(i) to be maintained by the originator's bank shall be retrievable by the name of the originator of the funds transfer and by the originator's account number, if applicable. The information required in paragraph (e)(1)(iii) to be maintained by the beneficiary's bank shall be retrievable by the name of the beneficiary of the funds transfer and by the account number of the beneficiary, if applicable.

(5) Funds transfers between domestic banks for their own accounts are not subject to the requirements of this paragraph (e).

(f)(1)(i) A financial institution (other than a bank) that transmits funds for a person or on its own behalf shall retain the original or a microfilm or other copy or reproduction of the following information or record with respect to each transmittal of funds:

(A) the name, address, social security number, and date of birth of the customer instructing that the funds be transmitted and the account number, if applicable;

(B) the name of any person on whose behalf the funds were transmitted if different from (A);

(C) the amount of funds transmitted;

(D) the date of the funds transmittal;

(E) any payment instructions;

- (F) the identity of the person or financial institution receiving the funds on behalf of the recipient;
- (G) the name and address of the recipient of the funds transmitted, and account number, if applicable, and
- (H) any application or form completed by the person instructing the transmittal relating to the transmittal.

(ii) Prior to transmitting funds, the financial institution must verify the name and address of the person instructing the transmittal by examination of a document that contains the name and address of the person and record that information and the type and number of the identification document reviewed.

(2)(i) A financial institution (other than a bank) that receives funds for any person or on its own behalf, shall retain the original or a microfilm or other copy or reproduction of the following information with respect to each transmittal of funds it receives:

- (A) the name, address, social security number, and date of birth of the person receiving the funds and the account number, if applicable;
- (B) the name of any person on whose behalf the funds were received if different from (A);
- (C) the amount of funds received;
- (D) the date the funds were received;
- (E) any payment instructions;

(F) the identity of the person or financial institution transmitting the funds on behalf of the person who instructed transmittal of funds;

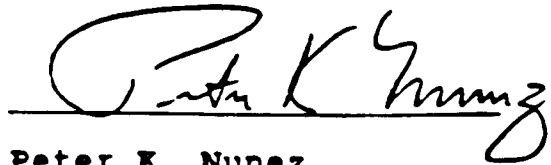
(G) the name and address of the person who ordered the funds transmittal, and account number, if applicable and known; and

(H) any receipt or form completed by the recipient relating to the receipt of funds.

(ii) Prior to disbursing funds, the financial institution must verify the name and address of the person receiving the funds transmitted by examination of a document that contains the name and address of the recipient and record that information.

(3) The information required in paragraph (f)(1)(i) by the financial institution transmitting funds shall be retrievable by the name of the customer instructing the funds to be transmitted and by the customer's account number, if applicable, and shall be maintained at the location of the branch, agency or office of the financial institution making the transmittal. The information required in paragraph (f)(2)(i) by the financial institution receiving a transmission of funds shall be retrievable by name of the funds recipient of the funds transmitted and shall be maintained at the location of the branch, agency or office of the financial institution receiving the transmittal.

Dated: , 1990

A handwritten signature in cursive script, reading "Peter K. Nunez", written over a horizontal line.

Peter K. Nunez

Assistant Secretary

(Enforcement)

AUCTION RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 15, 1990

0061329

CONTACT: Office of Financing
202/376-4350

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for \$9,401 million of 13-week bills and for \$9.442 million of 26-week bills, both to be issued on October 18, 1990, were accepted today.

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills			:	26-week bills		
	maturing January 17, 1991			:	maturing April 18, 1991		
	Discount	Investment		:	Discount	Investment	
	<u>Rate</u>	<u>Rate 1/</u>	<u>Price</u>	:	<u>Rate</u>	<u>Rate 1/</u>	<u>Price</u>
Low	7.17%	7.40%	98.188	:	7.20% ^{a/}	7.58%	96.360
High	7.18%	7.41%	98.185	:	7.23%	7.61%	96.345
Average	7.18%	7.41%	98.185	:	7.22%	7.60%	96.350

a/ Excepting \$1,000,000 at lower yields.

Tenders at the high discount rate for the 13-week bills were allotted 52%.
Tenders at the high discount rate for the 26-week bills were allotted 43%.

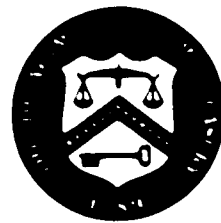
TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS (In Thousands)

Location	Received	Accepted	:	Received	Accepted
Boston	\$ 27,535	\$ 27,535	:	\$ 33,620	\$ 33,620
New York	33,511,380	8,308,410	:	21,581,965	7,515,115
Philadelphia	34,405	30,305	:	20,190	20,190
Cleveland	56,205	48,345	:	31,775	31,775
Richmond	97,820	47,820	:	39,660	39,660
Atlanta	33,085	32,085	:	33,040	33,040
Chicago	2,189,540	116,540	:	2,209,195	897,245
St. Louis	40,765	20,765	:	25,265	20,125
Minneapolis	15,185	10,185	:	12,855	10,005
Kansas City	40,995	40,995	:	48,780	48,780
Dallas	34,825	24,825	:	31,055	28,205
San Francisco	843,655	78,560	:	763,710	156,710
Treasury	614,915	614,915	:	607,315	607,315
TOTALS	\$37,540,310	\$9,401,285	:	\$25,438,425	\$9,441,785
Type					
Competitive	\$33,469,545	\$5,330,520	:	\$21,326,460	\$5,329,820
Noncompetitive	1,609,945	1,609,945	:	1,236,825	1,236,825
Subtotal, Public	\$35,079,490	\$6,940,465	:	\$22,563,285	\$6,566,645
Federal Reserve	2,044,060	2,044,060	:	2,250,000	2,250,000
Foreign Official			:		
Institutions	416,760	416,760	:	625,140	625,140
TOTALS	\$37,540,310	\$9,401,285	:	\$25,438,425	\$9,441,785

An additional \$336,440 thousand of 13-week bills and an additional \$519,060 thousand of 26-week bills will be issued to foreign official institutions for new cash.

1/ Equivalent coupon-issue yield.

TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-204

FOR RELEASE AT 4:00 P.M.
October 16, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$19,200 million, to be issued October 25, 1990. This offering will provide about \$1,875 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of \$17,336 million. Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239-1500, prior to 1:00 p.m., Eastern Daylight Saving time, Monday, October 22, 1990. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$9,600 million, representing an additional amount of bills dated July 26, 1990, and to mature January 24, 1991 (CUSIP No. 912794 VS 0), currently outstanding in the amount of \$9,184 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$9,600 million, to be dated October 25, 1990, and to mature April 25, 1991 (CUSIP No. 912794 WF 7).

The Treasury will postpone the auctions unless it has assurance of enactment of legislation to raise the statutory debt limit before the scheduled auction date of October 22, 1990.

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.

The bills will be issued for cash and in exchange for Treasury bills maturing October 25, 1990. In addition to the maturing 13-week and 26-week bills, there are \$9,769 million of maturing 52-week bills. The disposition of this latter amount was announced last week. Tenders from Federal Reserve Banks for their own account 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 \$1,259 million of the original 13-week and 26-week issues. Federal Reserve Banks currently hold \$1,439 million as agents for foreign and international monetary authorities, and \$6,134 million for their own account. These amounts represent the combined holdings of such accounts for the three issues of maturing bills. Tenders for bills to be maintained on the book-entry records of the Department of the Treasury should be submitted on Form PD 5176-1 (for 13-week series) or Form PD 5176-2 (for 26-week series).

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 one-half hour prior to the closing time for receipt of tenders 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.

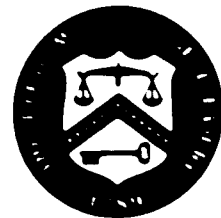
Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in 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 the issue date, in cash or other immediately-available funds or in Treasury bills maturing on that date. 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.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76, 27-76, and 2-86, as applicable, 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 566-204

FOR RELEASE AT 4:00 P.M.
October 17, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY TO AUCTION \$12,000 MILLION OF 2-YEAR NOTES

The Department of the Treasury will auction \$12,000 million of 2-year notes to refund \$10,071 million of 2-year notes maturing October 31, 1990, and to raise about \$1,925 million new cash. The public holds \$10,071 million of the maturing 2-year notes, including \$1,075 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities.

The \$12,000 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, Federal Reserve Banks, for their own accounts, hold \$639 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.

The Treasury will postpone the auction unless it has assurance of enactment of legislation to raise the statutory debt limit before the scheduled auction date of October 24, 1990.

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

oOo

Attachment

HIGHLIGHTS OF TREASURY
OFFERING TO THE PUBLIC
OF 2-YEAR NOTES
TO BE ISSUED OCTOBER 31, 1990

October 17, 1990

Amount Offered:

To the public \$12,000 million

Description of Security:

Term and type of security 2-year notes
Series and CUSIP designation AF-1992
(CUSIP No. 912827 ZL 9)
Maturity date October 31, 1992
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 April 30 and October 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 aver-
age price up to \$1,000,000
Accrued interest
payable by investor None

Payment Terms:

Payment by non-
institutional investors Full payment to be
submitted with tender
Deposit guarantee by
designated institutions Acceptable

Key Dates:

Receipt of tenders Wednesday, October 24, 1990,
prior to 1:00 p.m., EDST
Settlement (final payment
due from institutions):
a) funds immediately
available to the Treasury .. Wednesday, October 31, 1990
b) readily-collectible check .. Monday, October 29, 1990

TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-204

FOR IMMEDIATE RELEASE
October 18, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY POSTPONES AUCTION OF 52-WEEK BILLS

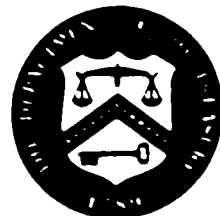
The Treasury announced today that it is postponing the auction of 52-week bills originally scheduled for today. This postponement is necessary because Congress has not completed action on legislation to increase the statutory debt limit to permit issuance of the bills on October 25, 1990.

Investors are advised to look for notice of rescheduling of this auction in the financial press or to contact their local Federal Reserve Bank or Branch for such information.

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NB-991

TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-204

FOR IMMEDIATE RELEASE
October 18, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY OFFERS \$12,500 MILLION OF 69-DAY CASH MANAGEMENT BILLS

The Department of the Treasury, by this public notice, invites tenders for approximately \$12,500 million of 69-day Treasury bills to be issued October 19, 1990, representing an additional amount of bills dated June 28, 1990, maturing December 27, 1990 (CUSIP No. 912794 VN 1).

Competitive tenders will be received only at the Federal Reserve Bank of New York prior to 10:00 a.m., Eastern Daylight Saving time, Friday, October 19, 1990. Each tender for the issue must be for a minimum amount of \$10,000,000. Tenders over \$10,000,000 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 will not be accepted. Tenders will not be received at the Department of the Treasury, Washington, or at any Federal Reserve Bank or Branch other than the Federal Reserve Bank of New York.

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.

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 9:30 a.m., Eastern time, on the day of the auction. Such positions would include bills acquired through "when issued" trading, 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.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities.

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 of New York in cash or other immediately-available funds on Friday, October 19, 1990.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

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.

RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

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FOR IMMEDIATE RELEASE
October 19, 1990

CONTACT: Office of Financing
202/376-4350

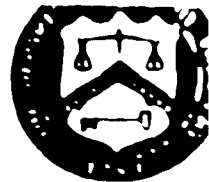
RESULTS OF TREASURY'S AUCTION OF 69-DAY CASH MANAGEMENT BILLS

The Treasury has accepted \$12,546 million of the \$50,380 million of tenders received at the Federal Reserve Bank of New York for the 69-day Treasury bills to be issued October 19, 1990, and to mature December 27, 1990, auctioned today. The range of accepted bids was as follows:

	<u>Discount Rate</u>	<u>Investment Rate (Equivalent Coupon-Issue Yield)</u>	<u>Price</u>
Low	7.35%	7.56%	98.591
High	7.38%	7.59%	98.586
Average	7.37%	7.58%	98.587

Tenders at the high discount rate were allotted 5%.

TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-20

FOR IMMEDIATE RELEASE
October 22, 1990

DEPT. OF THE TREASURY

CONTACT: Office of Financing
202/376-4350

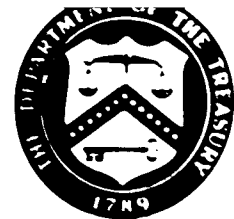
TREASURY POSTPONES AUCTION OF WEEKLY BILLS

The Treasury announced today that it is postponing the auctions of 13-week and 26-week bills originally scheduled for today. This postponement is necessary because legislation to raise the statutory debt limit has not been enacted to permit issuance of the bills on October 25, 1990.

Investors are advised to look for notice of rescheduling of these auctions in the financial press or to contact their local Federal Reserve Bank or Branch for such information.

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TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-204

FOR IMMEDIATE RELEASE
AS PREPARED FOR DELIVERY
10-23-90

CONTACT: CHERYL CRISPEN
202-566-5252

REMARKS TO THE
EMERGING MARKETS ADVISORY COMMITTEE
BY DEPUTY SECRETARY JOHN ROBSON
TUESDAY, OCTOBER 23, 1990
WASHINGTON, D.C.

Thank you, Richard (Breedon). It is a great pleasure to be included among the EMAC participants at this conference. There are many critical issues to discuss here, and I appreciate your invitation.

To say the least, 1989 and 1990 have been dynamic years for international finance. On virtually every continent, we are witnessing political and economic changes that will influence foreign and domestic markets well into the 21st century.

In the new democracies, political reform was quick and, in most cases, has occurred relatively peacefully. But, the reform is far from over. As President Bush has said:

"...the eclipse of communism is only one half of the story of our time. The other half is the ascendancy of the democratic idea."

And, for all nations, we believe, the democratic idea must include a free-market economy. Already we are witnessing profound economic reform in Eastern Europe and Latin America, where countries are rebuilding economies from the ground floor up.

Since last year, East Europeans have been busy creating the institutional framework that will transform their economies. We've seen the introduction of concepts such as private property and privatization. Other new laws allow freedom of decision in pricing, production, and the hiring and firing of employees -- decisions that were traditionally controlled by the government.

Of necessity, some Eastern European countries are establishing market institutions before they have a market. For example, countries have adopted regulatory laws -- with little or nothing to regulate.

And one of the major obstacles confronting the emerging economies is simply getting a grasp on the concepts of a free market -- concepts we take for granted. I recently met with Stanislav Shatalin -- the Soviet economist-reformer. At one point, I mentioned the word "equity", and one Soviet leaned over and asked us to define the term.

They need our help. And the advanced industrial democracies have an important obligation -- and opportunity-- to fill in the developing framework.

So far, we've responded quickly to facilitate the process of economic reform in Eastern Europe. For its part, the United States Government is doing all it can to lend assistance in tangible and important ways. We have already committed \$1 billion to Poland and Hungary, and the Administration has requested \$300 million more for Eastern and Central Europe in FY 1991.

For Latin America and the Caribbean -- where democracy and free-market economies have taken hold broadly but with considerably less fanfare than in Europe -- President Bush has launched the Enterprise for the Americas initiative to stimulate investment and trade and to address official debt burdens.

In addition to bilateral assistance, we are working closely with the IMF, the World Bank and other international financial institutions. Just last week, President Bush announced that we are asking the IMF for increased lending to the Eastern European region by as much as \$5 billion. The President also stated that we have asked the World Bank to accelerate the \$9 billion of lending it has committed -- especially for the energy sector.

The U.S. is also providing technical assistance in many ways, including: tax policy, banking and securities market regulation and privatization. In one case, for example, we are now working with the World Bank and the Yugoslav government and private sector to set up a banking and finance training institution in Yugoslavia.

But, clearly, the emerging free-market economies cannot rely only on foreign governments for advice.

Instead, reforming nations are looking for advice and assistance from Western business leaders. They need help from all sides: investment and commercial bankers, attorneys, accountants -- all types of executives will be helpful in establishing these emerging economies.

I'm proud to say that many American firms have already pitched in. Chairman Breeden and all of you were moving in tandem with the President when you established EMAC. The EMAC, the Financial Services Volunteer Corps (FSVC), and the Polish- and Hungarian-American Enterprise Funds have already been helpful.

The Polish-American Enterprise Fund recently announced a commitment to invest \$19 million to provide capital to small businessmen and farmers in Poland. That sounds modest, but it's a real move forward for entrepreneurial activity.

Clearly, private sector assistance and investment are the way to go. But the efforts of government and the private sector can be synergistic.

EMAC's goals are entirely harmonious with the objectives of the U.S. and the peoples of the emerging market economies. We need firms and professionals who are ready to jump in and lend help where and when it is needed. You, the members of the EMAC, are America's economic "minutemen" -- executives who can organize assistance programs quickly and successfully for countries that ask for guidance.

A perfect example of this guidance is the group of experts on Employee Stock Ownership Plans (ESOPs) that visited Hungary earlier this month. The Government of Hungary is seriously considering the use of ESOPs as one method of privatizing state assets.

When our embassy called the Treasury Department passing along Hungary's request for advice and assistance, we turned to the SEC and the EMAC to find firms willing to help that nation take the first step. Within only a week, three firms had representatives with bags packed and ready to go to Budapest.

That mission returned last week, and we have heard high praise from the Hungarian Government.

But, there is more to do -- much more. We have hardly touched the surface of the deep pool of demand from both the governments of reforming countries and their fledgling private firms. Of particular relevance to this group, they need and seek our guidance in establishing financial markets that operate legally, efficiently, and to the benefit of all.

Your participation in this advisory committee is an important part of that effort. We know you all have expressed a willingness to help. We know you have the expertise and the resources to make a significant difference. The challenge EMAC faces now is to get that expertise and those resources in the hands of these emerging market economies.

I understand you have created five working groups within EMAC, each with specific skills and backgrounds to offer nations with developing free markets. Let me offer some thoughts on possible projects your groups might undertake.

First, the working group on Securities and Futures Markets. Stock exchanges exist in only two East European countries, and they are rudimentary. The Budapest exchange, for example, has only 15 or 20 listed stocks to trade. Yugoslavia has 2 stock markets operating and one still in the planning stage. All six East European countries want modern exchanges, and they all need help. That's where you can come in.

- Adopt a new Eastern European securities firm or intermediary. You could offer to sponsor travel to the U.S. by officials from newly formed or privatized firms. Show them how your companies conduct underwriting and trading and explain the concepts of corporate finance.
- Provide training for the operators of the new stock exchanges in Hungary, Poland and Yugoslavia. Or, conduct a symposium for regulators, officials, and business owners to learn basic aspects of securities development and issuance.

Your working group on Clearance and Settlement Systems can provide urgently needed assistance. Retail banking -- as we operate it in the U.S. -- is a mystery to these nations. For example, in Yugoslavia this year, banks had clearance processing codes printed on checks for the first time. But many will not have automated processing equipment installed until 1992.

To help, you could donate technology to upgrade the capacity of these new banks. Our old equipment is at least 25 years ahead of what exists in Poland or Hungary. As you upgrade your computer systems, consider how Polish banks and market operators could make use of old equipment. Equipment and "back-office expertise" are greatly needed.

You can also help to encourage savings. For 50 years, the safest place for Eastern European families to put their money has been either under the mattress or out of the country. They've got to get that money out of the mattresses, into the banks, and loaned out to businesses of all sizes for investment capital. So, these countries must instill a sense of confidence among their people that banks are safe, efficient and useful institutions.

Perhaps your working group on Financial Intermediaries and Institutions could consider programs to encourage more citizens to deposit their money in the new or recently privatized banks. For example, your firms could publish brochures -- that working people can understand -- to explain how banking and savings work in a market economy.

Savings incentives are also critical. We can help banks and securities dealers to encourage more savings by designing new marketing techniques. Product ideas will go a long way toward building a retail banking system.

Privatization of state-owned enterprises is also central to the success of transitions to a free-market economy. Yet, most of the reforming nations are struggling with this politically and technically difficult problem. Surely, your working group on Financial Structures and Corporate Finance can provide advice on privatization. For example:

- Make your best professionals available as short-term technical advisors.
- Or, go to Eastern Europe and present lectures on basic finance and company valuation techniques.

Finally, your working group on Accounting and Professional Responsibility can advise these nations and private businesses on methods of bookkeeping and financial analysis. If the countries are to compete in the global marketplace, their accounting systems must move toward internationally accepted standards.

The fact is that the areas where Western expertise could be applied to help these emerging market economies are nearly endless. Yet, it is important to remember that this exchange of ideas produces important benefits for American firms as well.

We believe these emerging democratic nations have what it takes to establish a successful economy: potential industrial strength, economic incentive and well-educated populations. What they need and want to get there are American know-how and investment.

If I were still in the private sector, looking for investment opportunities in Eastern Europe would be high on my corporate agenda. And, I would try to get involved as soon as possible.

Yes, the waters are a little choppy for American firms investing in these new democracies. But business is competition, and if you wait until the sea is perfectly calm and the risk profiles are low, then we're going to lose out. American firms cannot wait until Japan, France, Germany and others have capitalized on this opportunity.

Your support, investment, advice and technical assistance will be invaluable. You will benefit, the emerging market economies will benefit, and economic reform throughout the world will be encouraged. I look forward to working with all of you as we move these nations toward democratic societies and market economies that work for everyone.

Thank you, and good luck on your new and exciting mission.

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TREASURY NEWS



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

FOR RELEASE AT 4:00 P.M.
October 23, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$19,600 million, to be issued November 1, 1990. This offering will provide about \$1,800 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of \$17,812 million. Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239-1500, prior to 1:00 p.m., Eastern Standard time, Monday, October 29, 1990. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$9,800 million, representing an additional amount of bills dated August 2, 1990, and to mature January 31, 1991 (CUSIP No. 912794 VT 8), currently outstanding in the amount of \$9,585 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$9,800 million, to be dated November 1, 1990, and to mature May 2, 1991 (CUSIP No. 912794 WG 5).

The Treasury will postpone the auctions unless it has assurance of enactment of legislation to raise the statutory debt limit before the scheduled auction date of October 29, 1990.

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.

The bills will be issued for cash and in exchange for Treasury bills maturing November 1, 1990. Tenders from Federal Reserve Banks for their own account 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. Federal Reserve Banks currently hold \$1,463 million as agents for foreign and international monetary authorities, and \$3,774 million for their own account. Tenders for bills to be maintained on the book-entry records of the Department of the Treasury should be submitted on Form PD 5176-1 (for 13-week series) or Form PD 5176-2 (for 26-week series).

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 one-half hour prior to the closing time for receipt of tenders 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.

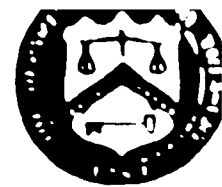
Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in 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 the issue date, in cash or other immediately-available funds or in Treasury bills maturing on that date. 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.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76, 27-76, and 2-86, as applicable, 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 555-204

FOR IMMEDIATE RELEASE
October 24, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY POSTPONES AUCTION OF 2-YEAR NOTES

The Treasury announced that it is postponing the auction of 2-year notes originally scheduled for today. This postponement is necessary because debt limit legislation has not been enacted to permit issuance of the notes on October 31, 1990.

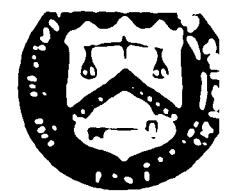
Investors are advised to look for notice of rescheduling of this auction in the financial press or to contact their local Federal Reserve Bank or Branch for such information.

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TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-2000

FOR IMMEDIATE RELEASE
October 24, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY POSTPONES AUCTION OF 2-YEAR NOTES

The Treasury announced that it is postponing the auction of 2-year notes originally scheduled for today. This postponement is necessary because debt limit legislation has not been enacted to permit issuance of the notes on October 31, 1990.

Investors are advised to look for notice of rescheduling of this auction in the financial press or to contact their local Federal Reserve Bank or Branch for such information.

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OCT 24 1990
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TREASURY NEWS



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

FOR IMMEDIATE RELEASE
October 24, 1990

CONTACT: Cheryl Crispen
(202) 566-5252

JEANNE S. ARCHIBALD
Appointed General Counsel
United States Department of the Treasury

Secretary of the Treasury Nicholas F. Brady today announced the appointment of Jeanne S. Archibald as General Counsel of the Treasury Department. She was confirmed for this position by the United States Senate on October 18, and appointed by President Bush on October 22.

Since April 1988, Ms. Archibald has served as Deputy General Counsel at the Department of Treasury. In this capacity, she assisted in administering and coordinating all of the legal activities of the Department. From 1986 to 1988, she served as Deputy Assistant General Counsel (International Affairs) at the Treasury Department.

Prior to joining the Treasury Department, Ms. Archibald was an Associate General Counsel at the Office of the U.S. Trade Representative from 1980 to 1986 where she served as the principal legal adviser on unfair trade practices and supervised the administration of Section 301 of the Trade Act of 1974. From 1975 to 1980, Ms. Archibald served as a Professional Staff Member on the Trade Subcommittee for the House Ways and Means Committee.

Ms. Archibald was graduated from the State University of New York at Stony Brook (B.A., 1973) and Georgetown University Law Center (J.D., 1977).

A native of Sag Harbor, New York, Ms. Archibald currently resides with her husband and son in Reston, Virginia.

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NB-998



PRESS RELEASE

OVERSIGHT BOARD

Resolution Trust Corporation

1777 F STREET, N.W. WASHINGTON, D.C. 20232

FOR IMMEDIATE RELEASE
October 24, 1990
OB 90-61

Contact: Art Siddon
Felisa Neuringer
(202) 786-9672

OVERSIGHT BOARD ACTS TO EXPEDITE RTC ASSET SALES

The Oversight Board for the Resolution Trust Corporation (RTC) approved financing strategies today designed to speed the sale of assets by the RTC.

Policies adopted by the Board encourage the RTC to securitize all types of financial assets and expand the current seller financing policy (statement #13) for certain real estate assets, including affordable housing.

"The Oversight Board recognizes the importance of seller financing and the use of the private sector to accelerate the sale of RTC assets and reduce the costs to the taxpayer," said Peter H. Monroe, president of the Oversight Board.

"We will keep a close eye on how the RTC implements the policies and will continue to examine additional financing techniques that may help the RTC accomplish asset sales," he said.

Actions taken by the Oversight Board allow the RTC to:

o Securitize for sale all financial assets -- including mortgage loans, high yield bonds, and any loans originated by the RTC under seller financing -- to help speed sales. Securitization is the process of pooling financial assets to serve as collateral for securities to be sold in the open market.

o Use several types of credit enhancements, including senior/subordinated structures, to create a high quality, investment grade security that is readily marketable. The RTC may hold the subordinated class, up to the amount of its participation.

- more -

- o Eliminate the requirement to sell RTC financed loans to the secondary market within one year of origination, as previously specified in the seller financing policy adopted last March.
- o Raise the \$1 billion revolving cap on outstanding seller financing for real estate to \$1.25 billion in order to provide \$250 million in low-interest loans to qualified buyers of affordable housing.
- o Negotiate with Fannie Mae and Freddie Mac to create a partnership to make affordable housing financing more available. Typically, private lenders would provide a first mortgage for sale to Fannie Mae or Freddie Mac. RTC would provide a much smaller second mortgage, and the buyer would provide a downpayment on the home.
- o Originate direct market rate loans for affordable housing properties through a contract with loan underwriters for families and properties ineligible for the Fannie Mae/Freddie Mac Partnership Program or other types of financing.
- o Provide special financing for certain families currently renting properties from the RTC who are ineligible for other types of financing. Under this plan, renters would be required to pay two months rent as a down payment.
- o Use the private sector in the funding and servicing of seller financed mortgage loans to the greatest extent possible.

The Oversight Board, established by the Financial Institutions Reform, Recovery and Enforcement Act in 1989, formulates the policy, approves the funding, and provides general oversight of the Resolution Trust Corporation.

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TREASURY NEWS



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

FOR IMMEDIATE RELEASE
October 25, 1990

CONTACT: Office of Financing
202/376-4350

RESCHEDULING OF TREASURY BILL AUCTIONS

The Treasury has announced the rescheduling and revision of the size of the following previously-postponed bill auctions. Bills maturing today, October 25, 1990, held by Federal Reserve Banks as agents for foreign and international monetary authorities may be reinvested. However, the aggregate amount of their new tenders may not exceed the aggregate amount of their holdings of the maturing bills.

Treasury Weekly Bills to be Issued Today, October 25, 1990:

The Department of the Treasury hereby amends its offering announcement of October 16, 1990, to change the issue amounts, auction date, and closing times for receipt of competitive and noncompetitive tenders for 13-week and 26-week Treasury bills to be issued Thursday, October 25, 1990.

Each bill will be issued in the amount of \$8,600 million. This is a reduction from the \$9,600 million originally announced.

Competitive tenders will be received prior to 10:00 a.m., EDST, Thursday, October 25, 1990, at all Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C.

Noncompetitive tenders that were received in all Federal Reserve Districts and at the Bureau of the Public Debt, Washington, D. C., by close of business local time, Wednesday, October 24, 1990, will be accepted in the two auctions.

All other terms and conditions in the announcement of October 16 remain the same.

Treasury 52-Week Bills to be Issued October 26, 1990:

The Department of the Treasury hereby amends its offering announcement of October 12, 1990, to change the amount, the auction and issue dates, and the closing times for receipt of competitive and noncompetitive tenders for 52-week Treasury bills.

The bills will be issued in the amount of \$10,000 million. This is a reduction from the \$10,750 million originally announced.

The bills will be issued Friday, October 26, 1990.

Competitive tenders will be received prior to 10:00 a.m., EDST, Friday, October 26, 1990, at all Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C.

Noncompetitive tenders received in all Federal Reserve Districts and at the Bureau of the Public Debt, Washington, D. C., by close of business local time, Thursday, October 25, 1990, will be accepted in the auction.

All other terms and conditions in the announcement of October 12 remain the same.

RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 25, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for \$8,631 million of 26-week bills to be issued on October 25, 1990 and mature on April 25, 1991 were accepted today (CUSIP: 912794WF7).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	7.15%	7.52%	96.385
High	7.17%	7.54%	96.375
Average	7.16%	7.53%	96.380

\$1,480,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 54%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	20,165	19,810
New York	24,123,625	6,956,275
Philadelphia	9,385	9,385
Cleveland	11,030	11,030
Richmond	22,985	22,985
Atlanta	15,910	13,450
Chicago	2,457,000	748,080
St. Louis	18,780	13,860
Minneapolis	13,355	13,355
Kansas City	21,410	20,950
Dallas	8,675	8,675
San Francisco	548,550	198,550
Treasury	594,730	594,710
TOTALS	\$27,865,600	\$8,631,115
<u>Type</u>		
Competitive	\$23,480,060	\$4,245,575
Noncompetitive	866,540	866,540
Subtotal, Public	\$24,346,600	\$5,112,115
Federal Reserve	3,000,000	3,000,000
Foreign Official Institutions	519,000	519,000
TOTALS	\$27,865,600	\$8,631,115

RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 25, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for \$8,632 million of 13-week bills to be issued on October 25, 1990 and mature on January 24, 1991 were accepted today (CUSIP: 912794VS0).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount</u> Rate	<u>Investment</u> Rate	<u>Price</u>
Low	7.18%	7.41%	98.185
High	7.21%	7.45%	98.177
Average	7.20%	7.44%	98.180

Tenders at the high discount rate were allotted 25%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	19,425	19,425
New York	25,885,205	7,503,100
Philadelphia	11,950	11,950
Cleveland	17,025	16,685
Richmond	82,920	46,670
Atlanta	16,715	13,965
Chicago	1,671,260	113,760
St. Louis	28,535	14,785
Minneapolis	23,090	23,090
Kansas City	23,155	23,155
Dallas	9,265	9,265
San Francisco	557,270	69,770
Treasury	766,325	766,325
TOTALS	\$29,112,140	\$8,631,945
Type		
Competitive	\$24,608,155	\$4,127,960
Noncompetitive	1,116,525	1,116,525
Subtotal, Public	\$25,724,680	\$5,244,485
Federal Reserve	3,184,160	3,184,160
Foreign Official Institutions	203,300	203,300
TOTALS	\$29,112,140	\$8,631,945



PRESS RELEASE

OVERSIGHT BOARD

Resolution Trust Corporation

1777 F STREET, N.W. WASHINGTON, D.C. 20232

FOR IMMEDIATE RELEASE
October 25, 1990
OB 90-62

Contact: Art Siddon
Felisa Neuringer
(202) 786-9672

OVERSIGHT BOARD APPROVES RTC OPERATING PLAN

The Oversight Board of the Resolution Trust Corporation (RTC) today approved an RTC operating plan for the first six months of Fiscal Year 1991 calling for the sale or liquidation of approximately 192 insolvent thrifts by March 31, 1991.

The plan, which is dependent upon appropriate funding action by Congress, would bring the total number of thrifts resolved since Aug. 9, 1989 to approximately 479.

Under the plan, the Oversight Board would authorize the RTC \$62.2 billion in new funding, including \$23.3 billion to resolve the 192 thrifts and \$38.9 billion in working capital to be borrowed through the Federal Financing Bank (FFB).

"The RTC has proposed an ambitious plan for the first six months of FY '91 which will allow it to continue a high level of resolutions," said Peter H. Monroe, Oversight Board president. "If the RTC meets its target of 192 new resolutions, it will have sold or closed approximately 90 percent of all thrifts seized by the RTC to date.

"It is important for the RTC to move forward with these resolutions and to continue to accelerate the pace of asset sales, which should only be enhanced by our recently issued policies on securitization and seller financing," he added.

more



P R E S S R E L E A S E

OVERSIGHT BOARD

Resolution Trust Corporation

1777 F STREET, N.W. WASHINGTON, D.C. 20232

- 2 -

Of the \$23.3 billion in loss funds anticipated for the six month period, \$11.3 billion would come from Treasury appropriations and \$12 billion from the sale of Resolution Funding Corporation (REFCORP) bonds -- \$5 billion of the \$12 billion in REFCORP bonds were auctioned Oct. 11.

The Oversight Board, established by FIRREA, formulates the policy, approves the funding, and provides the general oversight for the Resolution Trust Corporation, the agency responsible for resolving the nation's failed thrifts.

October 25, 1990

FACT SHEET
RTC OPERATING PLAN AND FUNDING REQUIREMENTS
FIRST SIX MONTHS OF FISCAL YEAR 1991

- o The Resolution Trust Corporation's operating plan is based on the assumption Congress will provide the necessary funding for FY 1991.
- o The Oversight Board approved the RTC's operating plan for the first six months of fiscal year 1991 which will permit the RTC to continue a high level of resolutions with an estimated 192 new cases, which would bring the total number of resolved thrifts to 479.
- o The approved plan provides the RTC with new funding of \$62.2 billion including loss funds of \$23.3 billion (of which \$12 billion would come from the Resolution Funding Corporation and \$11.3 billion from the Treasury), and \$38.9 billion in working capital from the Federal Financing Bank (FFB) [\$5 billion of the \$12 billion in REFCORP funds were provided in the Oct. 11 auction].
- o The Oversight Board approves the RTC rolling over its outstanding borrowings from the FFB of \$45.8 billion.
- o At the end of fiscal year 1990, the cumulative net loss on resolved institutions was approximately \$33 billion.
- o Under the approved plan, the cumulative net loss will increase to \$61.3 billion based on the RTC resolving 192 new cases.
- o As of the end of FY 1990, the Oversight Board has authorized the use of \$38 billion in loss funds, which includes \$18.8 billion in Treasury appropriations, \$1.2 billion from the Federal Home Loan Banks, and \$18 billion in REFCORP proceeds.
- o The approved plan calls for the acceleration of asset sales which is expected to produce \$12 billion in dividends during the period. This compares to \$2 billion during the fourth quarter of FY '90.
- o The fair market value of RTC's receivership claims as of the end of FY 1990 is approximately \$40 billion. If the RTC resolves 192 new cases, the fair market value of its receivership claims would increase to approximately \$79 billion, net of the dividends from asset sales.

AUCTION RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE, 10/26/90 CONTACT: Office of Financing
 October 26, 1990 202-376-4350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Tenders for \$10,130 million of 52-week bills to be issued on October 26, 1990 and mature on October 24, 1991 were accepted today (CUSIP: 912794WV2).

RANGE OF ACCEPTED COMPETITIVE BIDS:

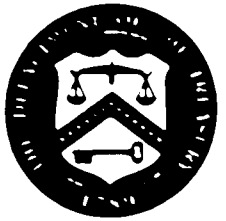
	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	6.99%	7.48%	92.952
High	7.01%	7.51%	92.932
Average	7.01%	7.51%	92.932

Tenders at the high discount rate were allotted 47%.
 The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	22,615	22,615
New York	44,078,210	9,535,870
Philadelphia	22,215	22,215
Cleveland	23,095	23,095
Richmond	23,405	23,405
Atlanta	13,220	13,220
Chicago	2,256,185	153,135
St. Louis	15,780	11,780
Minneapolis	24,345	13,745
Kansas City	24,890	24,890
Dallas	11,130	11,130
San Francisco	386,610	48,360
Treasury	226,730	226,730
TOTALS	\$47,128,430	\$10,130,190
<u>Type</u>		
Competitive	\$46,535,340	\$9,537,100
Noncompetitive	593,090	593,090
Subtotal, Public	\$47,128,430	\$10,130,190
Federal Reserve	0	0
Foreign Official		
Institutions	0	0
TOTALS	\$47,128,430	\$10,130,190

TREASURY NEWS



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

FOR IMMEDIATE RELEASE
October 26, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY RESCHEDULES 2-YEAR NOTE AUCTION

The Department of the Treasury hereby amends its offering announcement of October 17, 1990. The auction of \$12,000 million of 2-year notes, originally scheduled for and postponed on Wednesday, October 24, 1990, has been rescheduled for Tuesday, October 30, 1990. The closing time for receipt of both competitive and noncompetitive tenders is 1:00 p.m., Eastern Standard Time. The notes will be issued on Wednesday, October 31, 1990, as originally announced.

This rescheduled auction is contingent upon the assurance of enactment of legislation to raise and extend the statutory debt limit before the auction on October 30, 1990.

All other terms and conditions in the announcement of October 17, 1990, remain the same.

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TREASURY NEWS



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

FOR IMMEDIATE RELEASE
October 26, 1990

Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of September 1990.

As indicated in this table, U.S. reserve assets amounted to \$80,024 million at the end of September, up from \$78,909 million in August.

U.S. Reserve Assets (in millions of dollars)

End of Month	Total Reserve Assets	Gold Stock <u>1/</u>	Special Drawing Rights <u>2/3/</u>	Foreign Currencies <u>4/</u>	Reserve Position in IMF <u>2/</u>
<u>1990</u>					
August	78,909	11,065	10,780	48,174	8,890
September	80,024	11,063	10,666	49,414	8,881

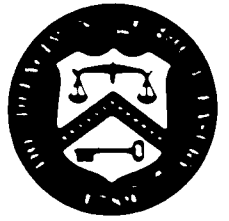
1/ Valued at \$42.2222 per fine troy ounce.

2/ Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

3/ Includes allocations of SDRs by the IMF plus transactions in SDRs.

4/ Valued at current market exchange rates.

TREASURY NEWS



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

Contact: Cheryl Crispen (202) 566-5252
Kimberly Gibson (202) 395-3814

FOR IMMEDIATE RELEASE
October 26, 1990

JOINT STATEMENT OF
NICHOLAS F. BRADY
SECRETARY OF THE TREASURY,
AND
RICHARD G. DARMAN,
DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET,
ON
BUDGET RESULTS FOR FISCAL YEAR 1990

SUMMARY

The Treasury Department is today releasing the September Monthly Treasury Statement of Receipts and Outlays of the United States Government. The statement shows the actual financial totals for the fiscal year that ended on September 30, 1990, as follows:

- total receipts of \$1,031.5 billion;
- total outlays of \$1,251.9 billion; and
- a deficit of \$220.4 billion.

Table 1. TOTAL RECEIPTS, OUTLAYS, AND DEFICITS
(in billions of dollars)

	<u>Receipts</u>	<u>Outlays</u>	<u>Deficits (-)</u>
1989 Actual.....	990.7	1,144.0	-153.3
1990:			
January Budget Estimate.....	1,073.5	1,197.2	-123.8
July Mid-Session Review Estimate.....	1,044.2	1,264.3	-220.1
Actual.....	1,031.5	1,251.9	-220.4

NOTE: FY 1989 actuals differ from those in the January budget mainly because of adjustments to outlays by the Federal Savings and Loan Insurance Corporation.

DEFICIT

The actual deficit for 1990 was \$220.4 billion, just \$0.3 billion higher than estimated in the July Mid-Session Review (MSR). The small increase from MSR estimates was the result of decreases in both outlays and receipts. While receipts fell by \$12.8 billion from the MSR estimate, total outlays also decreased \$12.4 billion.

RECEIPTS

Receipts were estimated in January at \$1,073.5 billion, and were revised downward to \$1,044.2 billion in the July MSR. Actual receipts for 1990 were \$1,031.5 billion, \$12.8 billion lower than the July MSR estimate. Relative to the MSR estimates, estimated payments of liabilities by both corporations and individuals, and withholding on wages and salaries, were all lower than anticipated.

Changes in Receipts According to Source

- Individual Income Taxes were \$466.9 billion, \$9.2 billion lower than the \$476.1 billion estimated in July. Withheld taxes accounted for \$6.1 billion of the shortfall in individual income tax receipts. Estimated payments of 1990 liability by individuals were \$3.6 billion lower than anticipated. Refunds were \$0.4 billion lower than anticipated, partially offsetting the shortfalls in withholding and estimated payments of tax. Lower incomes than forecast in the MSR and deviations in the anticipated timing pattern of collections may be the reason for the decline in this source of receipts.
- Corporation Income Taxes were \$93.5 billion, \$4.7 billion lower than the \$98.2 billion estimated in July, largely because estimated payments of 1990 liability were lower than anticipated.
- Excise Taxes were \$1.4 billion lower than the July estimate of \$36.7 billion, largely because refunds were larger than expected.
- Estate and Gift Taxes were \$11.5 billion, \$0.8 billion above the July estimate, primarily because collections of gift taxes were higher than anticipated.
- Miscellaneous Receipts were \$2.0 billion higher than the July estimate. Most of this increase is due to higher-than-anticipated deposits of earnings by the Federal Reserve System.

OUTLAYS

Total outlays in the January budget were estimated at \$1,197.2 billion. This estimate was increased by \$67.1 billion to \$1,264.3 billion in the MSR, largely due to considerably higher outlays related to the thrift cleanup, plus the net impact of other technical re-estimates. Actual 1990 outlays were \$1,251.9 billion, \$12.4 billion below the MSR estimate.

Most of the \$12.4 billion decrease from the MSR is due to outlays by the Resolution Trust Corporation (RTC), which were \$10.6 billion lower than estimated due to slower-than-anticipated resolution of failed thrifts. In addition, there were numerous smaller increases and decreases. Outlays for the Treasury Department were \$2.8 billion higher than projected, and for the Bank Insurance Fund \$2.5 billion higher. Outlays were \$1.5 billion lower than anticipated for the Department of Agriculture, and \$1.2 billion lower for the Department of Housing and Urban Development.

Outlay Changes by Agency and Program

The major outlay changes since July are described below. Table 2 displays the January Budget and July MSR estimates, and the actual levels by agency and major program.

Funds Appropriated to the President. Outlays of Funds Appropriated to the President were \$10.1 billion, \$0.6 billion lower than the \$10.7 billion estimated in the MSR. The largest single factor causing the change was a \$0.9 billion reduction in military sales programs. This was due to substantially higher trust fund receipts resulting in part from increased sales activity.

Department of Agriculture. Outlays of the Department of Agriculture were \$46.0 billion, \$1.5 billion lower than the \$47.5 billion estimated in the MSR. Outlays by the Commodity Credit Corporation (CCC) were \$6.4 billion, \$0.6 billion lower than estimated in the MSR, largely due to lower disbursements for P.L. 480 food financing and higher-than-projected crop loan repayments. Outlays for Forest Service were \$0.5 billion below the July estimate, largely due to the repayment of funds borrowed to finance prior year fire-fighting costs.

Department of Defense-Military. Outlays of the Department of Defense-Military were \$289.8 billion, \$0.5 billion lower than the \$290.2 billion estimated in the MSR. Outlays increased by \$1.2 billion for Operation Desert Shield, however, this was offset by lower outlays of \$1.7 billion due to the moratorium on military construction and delays in research, development, test, and evaluation programs, equipment maintenance contracts, and restoration of operating supply inventory levels.

Department of Health and Human Services -- except Social Security. Health and Human Services Department outlays were \$193.7 billion, \$1.3 billion above the \$192.4 billion estimated in the MSR, largely due to Medicare. Medicare outlays were \$109.7 billion, \$1.3 billion higher than the \$108.4 billion estimated in MSR. Hospital Insurance (HI) outlays were \$1.7 billion higher than in the MSR, and Supplementary Medical Insurance (SMI) outlays were \$0.4 billion lower than the MSR estimates which were based on preliminary trends in spending during the first half of FY 1990. The MSR projections also underestimated the volume of provider bills that would be processed in the third quarter of FY 1990 after the payment floor was temporarily suspended.

Department of Housing and Urban Development. Outlays for the Department of Housing and Urban Development were \$20.2 billion, \$1.2 billion below the \$21.4 billion estimated in the MSR. Payments for claims in mortgage and loan insurance programs of the

Federal Housing Administration (FHA) and Government National Mortgage Association (GNMA) were \$0.7 billion below the July estimate because of fewer defaults. In addition, the rate at which state and local governments drew down their Community Development Block Grant (CDBG) allocations was lower than expected. A variety of other HUD programs also had slightly lower outlays than anticipated.

Department of the Treasury. Outlays for the Department of Treasury were \$255.3 billion, \$2.9 billion higher than the MSR estimate. Interest on the public debt was \$264.9 billion, \$3.8 billion higher than estimated for the MSR. The largest part of this difference, \$2.6 billion, occurred because various trust funds and other Government accounts underestimated their interest earnings on Treasury securities. This underestimate does not affect overall spending or the deficit because there are corresponding offsets in specific agency outlays in other parts of the budget. The remaining \$1.2 billion underestimate of interest on the public debt, which does affect the budget totals, occurred as a result of minor differences in interest rates, differences in the amounts of borrowing actually undertaken, and other technical factors.

The increase in interest on the public debt was partially offset by higher-than-expected receipts in the Exchange Stabilization Fund. At year end, receipts exceeded gross outlays by \$2.9 billion, an increase of \$1.1 billion from the MSR estimate. This was largely due to the decline of the dollar, and the increasing value of foreign currency denominated assets.

General Services Administration. Net outlays of the General Services Administration were \$0.5 billion below the MSR estimate. The difference was largely due to lower outlays in the Public Buildings Service (PBS) than estimated in the MSR. PBS had originally anticipated that outlays from several new construction projects would occur in FY 1990, but these projects have not progressed as quickly as previously anticipated.

Office of Personnel Management. Outlays of the Office of Personnel Management were \$31.9 billion, \$0.9 billion lower than the MSR estimate. The number of Federal employees who retired was lower than projected. In addition, fourth quarter claims payments under the Federal Employee Health Benefits Program did not increase as much as anticipated.

Federal Deposit Insurance Corporation (FDIC). FDIC outlays were \$11.7 billion, \$1.9 billion higher than the MSR estimate.

-- Bank Insurance Fund (BIF). BIF outlays were \$6.4 billion, \$2.5 billion higher than the MSR estimate. The increase in net outlays reflects a \$2.7 billion increase in cash disbursements from several large bank failures.

The higher disbursements include about \$0.3 billion in additional purchases of assets from earlier bank failures. The higher disbursements were partially offset by higher receipts from asset sales.

- FSLIC Resolution Fund (FRF). FRF outlays were \$5.2 billion, \$0.6 billion below the MSR estimate. Interest payments declined as rates in the Southwest declined towards market rates, and asset sales were higher than anticipated.

Resolution Trust Corporation (RTC) -- RTC outlays were \$46.5 billion for 1990, \$10.6 billion lower than estimated in the MSR. Outlays were lower than forecast in part because cash for certain RTC transactions that were resolved at the end of September, was not actually expended until the following Monday, October 1st. Actual outlays also fell short of the MSR estimate because RTC postponed several additional case resolutions until FY 1991.

Table 2.—1989 and 1990 BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

	1989 <u>Actual</u>	1990		<u>Actual</u>	Actual minus <u>July</u>
		Estimate			
<u>Receipts by Source</u>		<u>January</u>	<u>July</u>		
Individual income taxes.....	445,690	489,444	476,090	466,884	-9,206
Corporation income taxes.....	103,291	112,030	98,223	93,507	-4,716
Social insurance taxes and contributions:					
Employment taxes and contributions.....	332,859	358,598	353,643	353,891	248
On-budget.....	(69,193)	(73,164)	(72,183)	(72,235)	(52)
Off-budget.....	(263,666)	(285,434)	(281,460)	(281,656)	(196)
Unemployment insurance.....	22,011	22,029	21,778	21,635	-143
Other retirement contributions.....	4,546	4,734	4,734	4,521	-213
Subtotal, Social insurance taxes and contributions.....	359,416	385,362	380,156	380,047	-109
Excise taxes.....	34,386	36,154	36,715	35,345	-1,370
Estate and gift taxes.....	8,745	9,279	10,680	11,500	820
Customs duties.....	16,334	16,785	16,896	16,707	-189
Miscellaneous receipts.....	22,839	24,397	25,468	27,470	2,002
Total, Receipts.....	990,701	1,073,451	1,044,228	1,031,461	-12,766
On-budget.....	(727,036)	(788,017)	(762,768)	(749,806)	(-12,962)
Off-budget.....	(263,666)	(285,434)	(281,460)	(281,656)	(196)

Table 2.—1989 and 1990 BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

Outlays by Major Agency	1989 <u>Actual</u>	1990		<u>Actual</u>	Actual minus <u>July</u>
		Estimate			
		<u>January</u>	<u>July</u>		
Legislative branch and the Judiciary.....	3,588	4,018	4,001	3,874	-127
Executive Office of the President.....	124	174	174	157	-17
Funds Appropriated to the President:					
International Security Assistance:					
Foreign Military Financing.....	-2,241	1,928	3,894	4,618	724
Economic Support Fund.....	3,573	3,414	3,881	3,769	-113
Other.....	-321	459	-59	-35	23
International development assistance.....	2,780	3,099	3,103	3,528	426
International monetary programs.....	32	---	---	-738	-738
Military sales programs.....	392	104	-208	-1,117	-909
Other.....	41	157	85	62	-23
Subtotal, Funds Appropriated to the President.....	4,257	9,162	10,696	10,087	-609
Agriculture:					
Commodity Credit Corporation.....	10,582	8,373	6,941	6,380	-561
Foreign assistance - P.L. 480.....	1,098	978	978	978	0
Federal Crop Insurance Corporation.....	1,103	1,181	980	979	-1
Rural Electrification Administration.....	502	109	395	278	-117
Farmers Home Administration.....	7,608	7,124	6,617	6,713	96
Food and Nutrition Service.....	20,774	23,009	23,932	23,620	-312
Forest Service.....	2,944	3,179	3,420	2,934	-486
Other.....	3,704	4,293	4,269	4,130	-139
Subtotal, Agriculture.....	48,316	48,246	47,531	46,012	-1,520
Commerce.....	2,571	3,861	3,933	3,734	-199

Table 2.—1989 and 1990 BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

	1989 <u>Actual</u>	1990		<u>Actual</u>	Actual minus <u>July</u>
		Estimate			
		<u>January</u>	<u>July</u>		
Defense—Military:					
Military personnel.....	80,676	75,259	75,303	75,622	319
Operation and maintenance.....	87,001	86,133	87,567	88,340	774
Procurement.....	81,620	80,948	80,828	80,972	144
Research, development, test, and evaluation.....	37,002	36,527	37,612	37,458	-154
Other.....	8,582	7,925	8,920	7,362	-1,557
	-----	-----	-----	-----	-----
Subtotal, Defense—Military.....	294,881	286,791	290,230	289,755	-474
Defense—Civil.....	23,450	24,751	24,803	24,975	173
Education.....	21,608	22,316	22,929	23,109	180
Energy.....	11,387	12,290	12,319	12,028	-292
Health and Human Services -- except Social Security:					
Medicare.....	96,452	108,216	108,354	109,657	1,303
Medicaid.....	34,604	40,230	40,889	41,103	214
Public Health Service.....	12,250	14,057	14,129	14,007	-122
Other.....	28,995	28,671	28,996	28,910	-86
	-----	-----	-----	-----	-----
Subtotal, Health and Human Services -- except Social Security.....	172,301	191,174	192,369	193,679	1,310
Health and Human Services -- Social Security.....	227,473	244,587	244,904	244,998	93

Table 2.--1989 and 1990 BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

	1989 <u>Actual</u>	1990 <u>Estimate</u>		<u>Actual</u>	Actual minus <u>July</u>
		<u>January</u>	<u>July</u>		
Housing and Urban Development:					
Housing payments.....	12,335	13,888	13,753	13,610	-143
Federal Housing Administration fund.....	976	2,346	1,343	988	-355
Government National Mortgage Association.....	-42	47	-134	-468	-334
Community development grants.....	2,913	3,020	2,995	2,770	-225
Other.....	3,497	3,501	3,437	3,267	-170
Subtotal, Housing and Urban Development.....	19,680	22,802	21,394	20,167	-1,227
Interior.....	5,308	5,832	6,094	5,794	-300
Justice.....	6,232	6,898	6,945	6,739	-206
Labor:					
Training and employment services.....	3,758	3,892	3,875	3,837	-38
Advances to the unemployment trust fund and other funds.....	56	55	30	0	-30
Unemployment trust fund.....	18,730	19,500	20,100	20,250	150
Other.....	2,353	1,921	1,879	1,558	-321
Intrabudgetary transactions.....	-2,240	-433	-340	-328	12
Subtotal, Labor.....	22,657	24,935	25,543	25,317	-227
State.....	3,722	3,777	3,834	3,979	145
Transportation:					
Federal Highway Administration.....	13,485	13,911	13,911	14,293	382
Urban Mass Transportation Administration.....	3,541	3,498	3,848	3,770	-78
Federal Aviation Administration.....	5,740	6,468	6,468	6,391	-77
Other.....	3,841	4,403	4,306	4,182	-124
Subtotal, Transportation.....	26,607	28,281	28,533	28,637	103

Table 2.--1989 and 1990 BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

	1989 <u>Actual</u>	1990		<u>Actual</u>	Actual minus <u>July</u>
		Estimate			
		<u>January</u>	<u>July</u>		
Treasury:					
Exchange Stabilization Fund.....	-1,119	-1,100	-1,800	-2,947	-1,147
Interest on the public debt.....	240,863	254,850	261,080	264,853	3,773
Offsetting receipts.....	-24,274	-22,863	-23,026	-22,716	310
Other.....	15,096	16,352	16,135	16,079	-56
Subtotal, Treasury.....	230,566	247,239	252,389	255,269	2,880
Department of Veterans Affairs.....	30,041	28,733	29,275	28,998	-277
Environmental Protection Agency.....	4,906	5,492	5,311	5,106	-206
General Services Administration.....	-462	253	381	-122	-503
National Aeronautics and Space Administration.....	11,036	12,026	12,058	12,429	370
Office of Personnel Management.....	29,073	33,211	32,831	31,949	-882
Small Business Administration.....	85	1,056	709	692	-17
Other independent agencies:					
District of Columbia.....	504	525	545	548	3
Export-Import Bank.....	47	364	365	357	-7
Federal Deposit Insurance Corporation:					
Bank insurance fund.....	2,847	1,961	3,904	6,429	2,525
FSLIC resolution fund.....	10,166	5,780	5,814	5,213	-601
Other FDIC.....	-100	100	100	87	-13
Federal Emergency Management Agency.....	531	1,747	1,749	2,032	283
Postal Service:					
On-budget.....	436	490	490	490	0
Off-budget.....	-310	2,388	1,930	1,626	-304
Railroad Retirement Board.....	4,315	4,414	4,426	4,477	51
Resolution Trust Corporation.....	9,172	2,334	57,132	46,547	-10,585
Tennessee Valley Authority.....	348	216	87	-312	-398
Other (net).....	5,813	6,318	6,356	6,027	-329
Subtotal, other independent agencies.....	33,770	26,637	82,897	73,523	-9,374

Table 2.--1989 and 1990 BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY AGENCY
(fiscal years; in millions of dollars)

	1989 <u>Actual</u>	1990		<u>Actual</u>	Actual minus <u>July</u>
		<u>Estimate</u>			
		<u>January</u>	<u>July</u>		
Undistributed offsetting receipts:					
Employer share, employee retirement (on-budget).....	-29,425	-28,266	-28,263	-28,044	219
Employer share, employee retirement (off-budget).....	-4,858	-5,581	-5,567	-5,567	0
Interest received by on-budget trust funds.....	-40,547	-45,233	-45,272	-46,416	-1,144
Interest received by off-budget trust funds.....	-11,395	-15,610	-15,762	-15,991	-229
Other interest.....	-1	---	---	-2	
Rents and royalties on the Outer Continental Shelf lands.....	-2,929	-2,615	-2,912	-3,004	-92
Subtotal, undistributed offsetting receipts.....	-89,155	-97,305	-97,776	-99,025	-1,249
Total Outlays.....	1,144,020	1,197,236	1,264,310	1,251,861	-12,449
On-budget.....	(933,109)	(971,452)	(1,038,805)	(1,026,795)	(-12,010)
Off-budget.....	(210,911)	(225,784)	(225,505)	(225,065)	(-440)
Deficit (-).....	-153,320	-123,785	-220,082	-220,400	-317
On-budget.....	(-206,073)	(-183,435)	(-276,037)	(-276,990)	(-953)
Off-budget.....	(+52,754)	(+59,650)	(+55,955)	(+56,590)	(635)

NOTE: Detail may not add to totals due to rounding.

NOTE: FY 1989 actual differ from those published in the January budget mainly because of adjustments to outlays by the Federal Savings & Loan Insurance Corporation.

TREASURY NEWS



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

FOR IMMEDIATE RELEASE
October 29, 1990

CONTACT: Office of Financing
202/376-4350

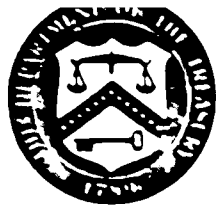
TREASURY 2-YEAR NOTE AUCTION

The Treasury today affirmed that it will auction \$12,000 million of 2-year notes on Tuesday, October 30, in accordance with its announcement of October 26 rescheduling the auction. The enactment of legislation to raise and extend the statutory debt limit permits the issuance of the notes on Wednesday, October 31, 1990, as originally announced on October 17, 1990. The closing time for receipt of both competitive and noncompetitive tenders is 1:00 p.m., Eastern Standard Time, as announced on October 26.

All other terms and conditions in the announcement of October 17, 1990, remain the same.

oOo

TREASURY NEWS



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

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FOR IMMEDIATE RELEASE
October 29, 1990

DEPTREAS

CONTACT: Office of Financing
202/376-4350

TREASURY WEEKLY BILL AUCTION

The Treasury today affirmed that it will auction \$9,800 million each of 13-week and 26-week Treasury bills on Monday, October 29, in accordance with its announcement of October 23. The closing time for receipt of tenders is 1:00 p.m., Eastern Standard Time, today, as announced on October 23. The bills will be issued on Thursday, November 1, 1990.

oOo

AUCTION RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 29, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for \$9,835 million of 26-week bills to be issued on November 1, 1990 and mature on May 2, 1991 were accepted today (CUSIP: 912794WG5).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	7.07%	7.43%	96.426
High	7.13%	7.50%	96.395
Average	7.13%	7.50%	96.395

Tenders at the high discount rate were allotted 69%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	28,825	28,825
New York	24,140,860	8,571,000
Philadelphia	18,775	18,775
Cleveland	40,550	40,550
Richmond	40,575	40,575
Atlanta	31,350	31,040
Chicago	2,195,780	658,030
St. Louis	22,805	16,185
Minneapolis	8,170	8,170
Kansas City	51,140	51,140
Dallas	26,415	19,865
San Francisco	678,900	163,400
Treasury	187,160	187,160
TOTALS	\$27,471,305	\$9,834,715
<u>Type</u>		
Competitive	\$23,839,015	\$6,202,425
Noncompetitive	793,685	793,685
Subtotal, Public	\$24,632,700	\$6,996,110
Federal Reserve	1,900,000	1,900,000
Foreign Official Institutions	938,605	938,605
TOTALS	\$27,471,305	\$9,834,715

An additional \$137,895 thousand of bills will be issued to foreign official institutions for new cash.

AUCTION RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 29, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for \$9,836 million of 13-week bills to be issued on November 1, 1990 and mature on January 31, 1991 were accepted today (CUSIP: 912794VT8).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	7.09%	7.32%	98.208
High	7.14%	7.37%	98.195
Average	7.12%	7.35%	98.200

Tenders at the high discount rate were allotted 4%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	39,710	39,710
New York	26,322,495	8,432,695
Philadelphia	19,440	19,440
Cleveland	62,425	62,425
Richmond	43,560	43,560
Atlanta	39,980	39,980
Chicago	1,981,045	365,045
St. Louis	46,860	31,860
Minneapolis	26,290	26,290
Kansas City	45,885	45,885
Dallas	35,185	30,185
San Francisco	803,375	405,375
Treasury	293,720	293,720
TOTALS	\$29,759,970	\$9,836,170

<u>Type</u>		
Competitive	\$26,246,435	\$6,322,635
Noncompetitive	1,176,840	1,176,840
Subtotal, Public	\$27,423,275	\$7,499,475
Federal Reserve	1,874,400	1,874,400
Foreign Official Institutions	462,295	462,295
TOTALS	\$29,759,970	\$9,836,170

An additional \$65,105 thousand of bills will be issued to foreign official institutions for new cash.

AUCTION
RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
October 30, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for \$12,107 million of 2-year notes, Series AF-1992, to be issued on October 31, 1990 and mature on October 31, 1992 were accepted today (CUSIP: 912827ZL9).

The interest rate on the notes will be 7 3/4%. The range of accepted bids and corresponding prices are as follows:

	<u>Yield</u>	<u>Price</u>
Low	7.83%	99.855
High	7.84%	99.836
Average	7.84%	99.836

\$15,000 was accepted at lower yields.
Tenders at the high yield were allotted 52%.

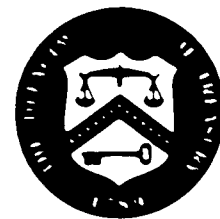
TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	61,060	61,060
New York	38,992,020	10,491,045
Philadelphia	43,245	42,285
Cleveland	63,240	60,240
Richmond	103,645	77,080
Atlanta	47,615	45,035
Chicago	2,018,765	563,420
St. Louis	79,175	64,215
Minneapolis	67,360	27,355
Kansas City	104,545	102,145
Dallas	30,295	25,295
San Francisco	994,665	263,505
Treasury	284,380	284,355
TOTALS	\$42,890,010	\$12,107,035

The \$12,107 million of accepted tenders includes \$1,360 million of noncompetitive tenders and \$10,747 million of competitive tenders from the public.

In addition, \$850 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional \$639 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.

TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-204

FOR RELEASE AT 4:00 P.M.
October 30, 1990

CONTACT: Office of Financing
202 376-4350

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$19,600 million, to be issued November 8, 1990. This offering will provide about \$1,925 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of \$17,683 million. Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239-1500, Monday, November 5, 1990, prior to 12:00 noon for noncompetitive tenders and prior to 1:00 p.m., Eastern Standard time, for competitive tenders.

As announced on August 15, the Treasury has set a new 12:00 noon Eastern time deadline for the submission of noncompetitive tenders for its securities auctions. The change will be effective with these bill auctions scheduled for November 5, 1990. The deadline for submissions of competitive tenders will remain at 1:00 p.m., Eastern time. Until this auction, all tenders, both competitive and noncompetitive, had been required to be submitted by 1:00 p.m. on auction day.

The two series offered are as follows:

91-day bills (to maturity date) for approximately \$9,800 million, representing an additional amount of bills dated August 9, 1990, and to mature February 7, 1991 (CUSIP No. 912794 VU 5), currently outstanding in the amount of \$9,230 million, the additional and original bills to be freely interchangeable.

182-day bills (to maturity date) for approximately \$9,800 million, representing an additional amount of bills dated May 10, 1990, and to mature May 9, 1991 (CUSIP No. 912794 WH 3), currently outstanding in the amount of \$10,139 million, the additional and original bills to be freely interchangeable.

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.

The bills will be issued for cash and in exchange for Treasury bills maturing November 8, 1990. Tenders from Federal Reserve Banks for their own account 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. Federal Reserve Banks currently hold \$1,254 million as agents for foreign and international monetary authorities, and \$4,763 million for their own account. Tenders for bills to be maintained on the book-entry records of the Department of the Treasury should be submitted on Form PD 5176-1 (for 13-week series) or Form PD 5176-2 (for 26-week series).

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 one-half hour prior to the closing time for receipt of tenders 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.

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 the issue date, in cash or other immediately-available funds or in Treasury bills maturing on that date. 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.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76, 27-76, and 2-86, as applicable, 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

NOV 01 1990

FOR IMMEDIATE RELEASE
October 31, 1990

Contact: Desiree Tucker-Sorini
(202) 566-8773
or
Cheryl Crispen
(202) 566-5252

Statement by
Secretary of the Treasury
Nicholas F. Brady

The need for action by the Congress to authorize funding for the savings and loan cleanup and the consequences of failing to act were spelled out by the Administration repeatedly and in great detail over a period of many months in congressional hearings and letters to Congress urging immediate and decisive action. The Senate acted on this information and passed a funding authorization prior to adjournment, but the House failed to act. RTC Chairman Seidman has said the funding halt will result in substantial additional costs to taxpayers.

In light of this, I have asked the RTC Oversight Board to examine what alternatives are available to minimize additional costs. The Oversight Board will discuss options on Thursday, November 1, 1990.

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October 31, 1990

FEDERAL FINANCING BANK ACTIVITY

Charles D. Haworth, Secretary, Federal Financing Bank, announced the following activity for the month of September 1990.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled \$173.3 billion on September 30, 1990, posting an increase of \$7.3 billion from the level on August 31, 1990. This net change was the result of increases in holdings of agency debt of \$7,280.9 million and in holdings of agency assets of \$109.8 million, while holdings of agency-guaranteed loans decreased by \$89.4 million. FFB made 21 disbursements during September.

During fiscal year 1990, FFB holdings of obligations issued, sold or guaranteed by other Federal agencies posted a net increase of \$37,226.6 million from the level on September 30, 1989. This change was the result of increases in holdings of agency debt of \$39,200.9 million and decreases in holdings of agency assets of \$1,051.2 million and in holdings of agency-guaranteed loans of \$923.0 million.

The Appropriations Act for 1989 authorized FFB borrowers with Rural Electrification Administration guarantees to prepay at par up to \$500 million of loans. Pursuant to this Act, FFB received prepayments of \$139.7 million in FY 1990. FFB suffered an associated loss of \$40.3 million.

The Continuing Appropriations Resolution for 1988 authorized FFB borrowers with foreign military sales guarantees to prepay at par their debt with interest rates of 10 percent or higher. The Foreign Operations Appropriations Act of 1990 amended this Resolution to lower the interest rate threshold to 8 percent. Pursuant to the Resolution, FFB received prepayments of \$66.0 million in FY 1990. FFB suffered an associated loss of \$5.4 million.

During fiscal year 1990, the FFB began lending to the Resolution Trust Corporation. On September 30, 1990, FFB holdings of RTC obligations totaled \$41,481.7 million.

FFB holdings on September 30, 1990 were the highest in the bank's history.

Attached to this release are tables presenting FFB September loan activity and FFB holdings as of September 30, 1990.

FEDERAL FINANCING BANK

SEPTEMBER 1990 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi- annual)	INTEREST RATE (other than semi-annual)
<u>AGENCY DEBT</u>					
<u>EXPORT IMPORT BANK</u>					
Note #89	9/4	\$ 256,000,000.00	9/1/00	8.628%	8.537% qtr.
Note #90	9/4	8,000,000.00	9/1/08	9.016%	9.219% ann.
Note #91	9/4	864,000,000.00	3/1/91	7.868%	
<u>NATIONAL CREDIT UNION ADMINISTRATION</u>					
<u>Central Liquidity Facility</u>					
+Note #527	9/28	5,000,000.00	10/26/90	7.590%	
<u>RESOLUTION TRUST CORPORATION</u>					
<u>Note No. 90-05</u>					
Advance #14	9/4	1,000,000,000.00	10/1/90	7.752%	
Advance #15	9/7	200,000,000.00	10/1/90	7.748%	
Advance #16	9/10	1,100,000,000.00	10/1/90	7.754%	
Advance #17	9/17	1,115,000,000.00	10/1/90	7.712%	
Advance #18	9/20	270,000,000.00	10/1/90	7.760%	
Advance #19	9/24	3,540,000,000.00	10/1/90	7.722%	
<u>TENNESSEE VALLEY AUTHORITY</u>					
Short-term Bond #51	9/6	178,000,000.00	9/17/90	7.751%	
Short-term Bond #52	9/17	136,000,000.00	9/24/90	7.717%	
Short-term Bond #53	9/24	27,000,000.00	10/1/90	7.759%	
Short-term Bond #54	9/28	30,000,000.00	10/2/90	7.697%	
<u>AGENCY ASSETS</u>					
<u>RURAL ELECTRIFICATION ADMINISTRATION</u>					
<u>Certificates of Beneficial Ownership</u>					
CBO #32	9/30	272,000,000.00	9/30/00	8.948%	
+rollover					

FEDERAL FINANCING BANK
 SEPTEMBER 1990 ACTIVITY

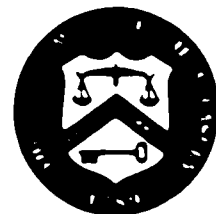
<u>BORROWER</u>	<u>DATE</u>	<u>AMOUNT OF ADVANCE</u>	<u>FINAL MATURITY</u>	<u>INTEREST RATE</u> (semi- annual)	<u>INTEREST RATE</u> (other than semi-annual)
<u>GOVERNMENT - GUARANTEED LOANS</u>					
<u>DEPARTMENT OF DEFENSE</u>					
<u>Foreign Military Sales</u>					
Morocco 9	9/14	\$ 540.00	3/31/94	8.447%	
Morocco 13	9/14	33,579.00	5/31/95	8.547%	
<u>RURAL ELECTRIFICATION ADMINISTRATION</u>					
Old Dominion Electric #267	9/17	1,203,000.00	9/30/92	8.156%	8.075% qtr.
Plains Electric #300	9/20	1,756,000.00	1/3/17	9.059%	8.959% qtr.
Plains Electric #300	9/26	1,908,000.00	1/3/17	9.193%	9.090% qtr.
<u>TENNESSEE VALLEY AUTHORITY</u>					
<u>Seven States Energy Corporation</u>					
Note A-90-13	9/28	562,888,154.82	12/31/90	7.707%	

FEDERAL FINANCING BANK HOLDINGS
(in millions)

<u>Program</u>	<u>September 30, 1990</u>	<u>August 31, 1990</u>	<u>Net Change</u> <u>9/1/90-9/30/90</u>	<u>FY '90 Net Change</u> <u>10/1/89-9/30/90</u>
Agency Debt:				
Export-Import Bank	\$ 11,339.8	\$ 11,143.9	\$ 195.9	\$ 356.2
NCUA-Central Liquidity Facility	56.6	56.6	-0-	-54.8
Resolution Trust Corporation	41,481.7	34,256.7	7,225.0	41,481.7
Tennessee Valley Authority	14,382.0	14,522.0	-140.0	-3,085.0
U.S. Postal Service	6,697.8	6,697.8	-0-	502.8
sub-total*	73,957.9	66,677.0	7,280.9	39,200.9
Agency Assets:				
Farmers Home Administration	52,049.0	52,211.0	-162.0	-1,262.0
DHHS-Health Maintenance Org.	69.6	69.6	-0-	-5.2
DHHS-Medical Facilities	82.7	82.7	-0-	-5.4
Rural Electrification Admin.-CBO	4,407.2	4,135.2	272.0	224.5
Small Business Administration	8.4	8.6	-0.2	-3.2
sub-total*	56,616.9	56,507.1	109.8	-1,051.2
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	9,755.6	9,838.7	-83.1	-432.9
DEd.-Student Loan Marketing Assn.	4,880.0	4,880.0	-0-	-30.0
DHUD-Community Dev. Block Grant	244.0	246.9	-3.0	-39.4
DHUD-Public Housing Notes +	1,950.8	1,950.8	-0-	-44.5
General Services Administration +	367.3	367.3	-0-	-10.8
DOI-Guam Power Authority	29.7	30.3	-0.6	-1.2
DOI-Virgin Islands	25.3	25.3	-0-	-0.7
NASA-Space Communications Co. +	1,095.9	1,095.9	-0-	100.7
DON-Ship Lease Financing	1,672.4	1,672.4	-0-	-48.2
Rural Electrification Administration	19,042.3	19,043.5	-1.2	-232.7
BA-Small Business Investment Cos.	382.5	391.5	-9.0	-172.8
BA-State/Local Development Cos.	741.6	746.1	-4.6	-57.8
VA-Seven States Energy Corp.	2,356.0	2,343.9	12.1	61.1
OT-Section 511	23.3	23.5	-0.1	-13.9
OT-WMATA	177.0	177.0	-0-	-0-
sub-total*	42,743.7	42,833.1	-89.4	-923.0
grand total*	\$ 173,318.5	\$ 166,017.2	\$ 7,301.3	\$ 37,226.6

figures may not total due to rounding
does not include capitalized interest

TREASURY NEWS



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

FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
October 31, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY NOVEMBER QUARTERLY FINANCING

The Treasury will raise about \$10,725 million of new cash and refund \$23,531 million of securities maturing November 15, 1990, by issuing \$12,500 million of 3-year notes, \$11,000 million of 10-year notes, and \$10,750 million of 29-3/4-year 8-3/4% bonds. The \$23,531 million of maturing securities are those held by the public, including \$3,176 million held, as of today, by Federal Reserve Banks as agents for foreign and international monetary authorities.

The three issues totaling \$34,250 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, Federal Reserve Banks hold \$3,420 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities at the average prices of accepted competitive tenders.

In addition, the Treasury is offering \$12,000 million of 161-day cash management bills that will be auctioned on Thursday, November 8, 1990. Details about the cash management bills are given in a separate announcement.

These note and bond auctions will be the first to have different deadlines for submitting noncompetitive and competitive tenders. Tenders will be received at Federal Reserve Banks and Branches and the Bureau of the Public Debt, Washington, D. C. 20239-1500. Noncompetitive tenders must be received prior to 12:00 noon EST and competitive tenders prior to 1:00 p.m. EST on the scheduled auction dates.

The 10-year note and 29-3/4-year bond being offered today will be eligible for the STRIPS program.

Details about each of the new securities are given in the attached highlights of the offering and in the official offering circulars.

oOo

Attachment

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC
NOVEMBER 1990 QUARTERLY FINANCING

October 31, 1990

Amount Offered to the Public	\$12,500 million	\$11,000 million	\$10,750 million
Description of Security:			
Term and type of security	3-year notes	10-year notes	29-3/4-year bonds (reopening)
Series and CUSIP designation	Series V-1993 (CUSIP No. 912827 ZM 7)	Series D-2000 (CUSIP No. 912827 ZM 5)	Bonds of August 2020 (CUSIP No. 912810 EG 9)
CUSIP Nos. for STRIPS Components . .	Not applicable	Listed in Attachment A of offering circular November 15, 1990	Listed in Attachment A of offering circular November 15, 1990
Issue date	November 15, 1990	November 15, 1990	November 15, 1990
Maturity date	November 15, 1993	November 15, 2000	August 15, 2020
Interest rate	To be determined based on the average of accepted bids	To be determined based on the average of accepted bids	8-3/4%
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	May 15 and November 15	May 15 and November 15	February 15 and August 15 (first payment on February 15, 1991)
Minimum denomination available . . .	\$5,000	\$1,000	\$1,000
Amount required for STRIPS	Not applicable	To be determined after auction	\$160,000
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	\$21.875 per \$1,000 (from August 15, 1990, to November 15, 1990)
Payment Terms:			
Payment by non-institutional investors	Full payment to be submitted with tender	Full payment to be submitted with tender	Full payment, including accrued interest, to be submitted with tender
Deposit guarantee by designated institutions	Acceptable	Acceptable	Acceptable
Key Dates:			
Receipt of tenders	Tuesday, November 6, 1990	Wednesday, November 7, 1990	Thursday, November 8, 1990
a) Noncompetitive	prior to 12:00 noon, EST	prior to 12:00 noon, EST	prior to 12:00 noon, EST
b) Competitive	prior to 1:00 p.m., EST	prior to 1:00 p.m., EST	prior to 1:00 p.m., EST
Settlement (final payment due from institutions):			
a) funds immediately available to the Treasury	Thursday, November 15, 1990	Thursday, November 15, 1990	Thursday, November 15, 1990
b) readily-collectible check	Tuesday, November 13, 1990	Tuesday, November 13, 1990	Tuesday, November 13, 1990

TREASURY NEWS



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

FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
October 31, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY OFFERS \$12,000 MILLION OF 161-DAY CASH MANAGEMENT BILLS

The Department of the Treasury, by this public notice, invites tenders for approximately \$12,000 million of 161-day Treasury bills to be dated November 15, 1990, and to mature April 25, 1991 (CUSIP No. 912794 WF 7).

Tenders will be received at all Federal Reserve Banks and Branches prior to 11:00 a.m. for noncompetitive tenders and prior to 12:00 noon, Eastern Standard time, for competitive tenders, Thursday, November 8, 1990. 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 of the Federal Reserve Banks and Branches.

Tenders will not be accepted for bills to be maintained on the book-entry records of the Department of the Treasury (TREASURY DIRECT). Tenders will not be received at the Department of the Treasury, Washington.

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.

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 11:30 a.m., Eastern time, on the day of the auction. Such positions would include bills acquired through "when issued" trading, 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.

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.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Those submitting competitive 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, and the determination of the Secretary of the Treasury shall be final. 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 Thursday, November 15, 1990.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

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 and guidelines may be obtained from any Federal Reserve Bank or Branch.

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TREASURY NEWS



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

FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
October 31, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY NOVEMBER QUARTERLY FINANCING

The Treasury will raise about \$10,725 million of new cash and refund \$23,531 million of securities maturing November 15, 1990, by issuing \$12,500 million of 3-year notes, \$11,000 million of 10-year notes, and \$10,750 million of 29-3/4-year 8-3/4% bonds. The \$23,531 million of maturing securities are those held by the public, including \$3,176 million held, as of today, by Federal Reserve Banks as agents for foreign and international monetary authorities.

The three issues totaling \$34,250 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, Federal Reserve Banks hold \$3,420 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities at the average prices of accepted competitive tenders.

In addition, the Treasury is offering \$12,000 million of 161-day cash management bills that will be auctioned on Thursday, November 8, 1990. Details about the cash management bills are given in a separate announcement.

These note and bond auctions will be the first to have different deadlines for submitting noncompetitive and competitive tenders. Tenders will be received at Federal Reserve Banks and Branches and the Bureau of the Public Debt, Washington, D. C. 20239-1500. Noncompetitive tenders must be received prior to 12:00 noon EST and competitive tenders prior to 1:00 p.m. EST on the scheduled auction dates.

The 10-year note and 29-3/4-year bond being offered today will be eligible for the STRIPS program.

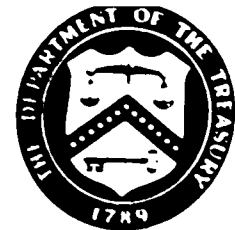
Details about each of the new securities are given in the attached highlights of the offering and in the official offering circulars.

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC
 NOVEMBER 1990 QUARTERLY FINANCING

October 31, 1990

Amount Offered to the Public	\$12,500 million	\$11,000 million	\$10,750 million
Description of Security:			
Term and type of security	3-year notes	10-year notes	29-3/4-year bonds (reopening)
Series and CUSIP designation	Series V-1993 (CUSIP No. 912827 ZM 7)	Series D-2000 (CUSIP No. 912827 ZN 5)	Bonds of August 2020 (CUSIP No. 912810 EG 9)
CUSIP Nos. for STRIPS Components . .	Not applicable	Listed in Attachment A of offering circular	Listed in Attachment A of offering circular
Issue date	November 15, 1990	November 15, 1990	November 15, 1990
Maturity date	November 15, 1993	November 15, 2000	August 15, 2020
Interest rate	To be determined based on the average of accepted bids	To be determined based on the average of accepted bids	8-3/4%
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	May 15 and November 15	May 15 and November 15	February 15 and August 15 (first payment on February 15, 1991)
Minimum denomination available . . .	\$5,000	\$1,000	\$1,000
Amount required for STRIPS	Not applicable	To be determined after auction	\$160,000
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	\$21.875 per \$1,000 (from August 15, 1990, to November 15, 1990)
Payment Terms:			
Payment by non-institutional investors	Full payment to be submitted with tender	Full payment to be submitted with tender	Full payment, including accrued interest, to be submitted with tender
Deposit guarantee by designated institutions	Acceptable	Acceptable	Acceptable
Key Dates:			
Receipt of tenders	Tuesday, November 6, 1990	Wednesday, November 7, 1990	Thursday, November 8, 1990
a) Noncompetitive	prior to 12:00 noon, EST	prior to 12:00 noon, EST	prior to 12:00 noon, EST
b) Competitive	prior to 1:00 p.m., EST	prior to 1:00 p.m., EST	prior to 1:00 p.m., EST
Settlement (final payment due from institutions):			
a) funds immediately available to the Treasury	Thursday, November 15, 1990	Thursday, November 15, 1990	Thursday, November 15, 1990
b) readily-collectible check	Tuesday, November 13, 1990	Tuesday, November 13, 1990	Tuesday, November 13, 1990

TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-204

FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
October 31, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY OFFERS \$12,000 MILLION OF 161-DAY CASH MANAGEMENT BILLS

The Department of the Treasury, by this public notice, invites tenders for approximately \$12,000 million of 161-day Treasury bills to be dated November 15, 1990, and to mature April 25, 1991 (CUSIP No. 912794 WF 7).

Tenders will be received at all Federal Reserve Banks and Branches prior to 11:00 a.m. for noncompetitive tenders and prior to 12:00 noon, Eastern Standard time, for competitive tenders, Thursday, November 8, 1990. 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 of the Federal Reserve Banks and Branches.

Tenders will not be accepted for bills to be maintained on the book-entry records of the Department of the Treasury (TREASURY DIRECT). Tenders will not be received at the Department of the Treasury, Washington.

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.

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 11:30 a.m., Eastern time, on the day of the auction. Such positions would include bills acquired through "when issued" trading, 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.

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.

Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Those submitting competitive 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, and the determination of the Secretary of the Treasury shall be final. 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 Thursday, November 15, 1990.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

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 and guidelines may be obtained from any Federal Reserve Bank or Branch.

TALKING POINTS
FOR THE
FINANCING PRESS CONFERENCE

October 31, 1990

Today we are announcing the terms of our regular November quarterly refunding. I will also discuss the Treasury's financing requirements for the balance of the current calendar quarter and our estimated cash needs for the January-March 1991 quarter.

1. We are offering \$34.25 billion of notes and bonds to refund \$23.5 billion of privately-held notes maturing on November 15 and to raise approximately \$10.75 billion of cash. The three securities are:

- First, a 3-year note in the amount of \$12.50 billion maturing on November 15, 1993. This note is scheduled to be auctioned on a yield basis on Tuesday, November 6. The minimum denomination will be \$5,000.
- Second, a 10-year note in the amount of \$11.0 billion maturing on November 15, 2000. This note is scheduled to be auctioned on a yield basis on Wednesday, November 7. The minimum denomination will be \$1,000.
- Third, a 29 3/4-year bond, a reopening of the 8 3/4 percent bond maturing August 15, 2020 in the amount of \$10.75 billion. This bond is scheduled to be auctioned on a yield basis on Thursday, November 8. The minimum denomination will be \$1,000.

2. We are also offering \$12 billion of a 161-day cash management bill maturing April 25, 1991. The cash management bill is scheduled to be auctioned on a discount basis on Thursday, November 8, at 12:00 noon EST for settlement Thursday, November 15. The minimum purchase amount will be \$10,000.

3. We will accept noncompetitive tenders up to \$1,000,000 for each of the bill, note, and bond issues. Noncompetitive tenders for all Treasury security auctions, beginning with the Treasury bills to be auctioned on November 5, must be received one hour prior to the deadline for receipt of competitive tenders on the day of the auction or postmarked by the day before the auction and received by the Federal Reserve Bank or Bureau of Public Debt before COB on the issue date of the security.

4. For the current October-December quarter, we estimate a net market borrowing need of \$97.7 billion, which includes Treasury borrowing to finance Resolution Trust Corporation operations. The estimate also assumes a \$30 billion cash balance at the end of December. We may want to have a higher balance, depending upon our assessment of cash needs at the time.

Including this refunding and the cash management bill, we will have raised \$42.0 billion of the \$97.7 billion in net

market borrowing needed this October-December quarter. This net borrowing was accomplished as follows:

- \$2.9 billion of cash from the 2- and 4-year notes which settled October 1;
- \$3.8 billion of cash from the 7-year note that settled October 15;
- \$2.9 billion of cash from the 2-year note which settles today, October 31;
- \$9.2 billion of cash in regular weekly bills, including the bills announced yesterday;
- \$.4 billion of cash in 52-week bills;
- \$10.8 billion of cash from the refunding issues announced today; and
- \$12.0 billion from the cash management bill announced today.

The \$55.7 billion to be raised in the rest of the October-December quarter could be accomplished through sales of regular 13-, 26-, and 52-week bills, a 2-year note in November, a 5-year 2-month note in early December, and 2-year and 4-year notes at the end of December. Additional cash management bills may be necessary to cover the low point in cash in early December.

The \$12.5 billion cash management bill issued October 19 matures December 27 and does not affect the net market borrowing total.

5. The Treasury's October-December borrowing estimate is consistent with Resolution Trust Corporation operating plan that was approved by the Oversight Board on October 25. That operating plan was based on the assumption that Congress would act on funding for FY 1991. Since the Congress did not act on funding, the Oversight Board will meet in the near future to discuss a revised operating plan. Treasury plans to update its market borrowing estimates as soon as the Oversight Board has reviewed and approved the RTC's working capital budget.

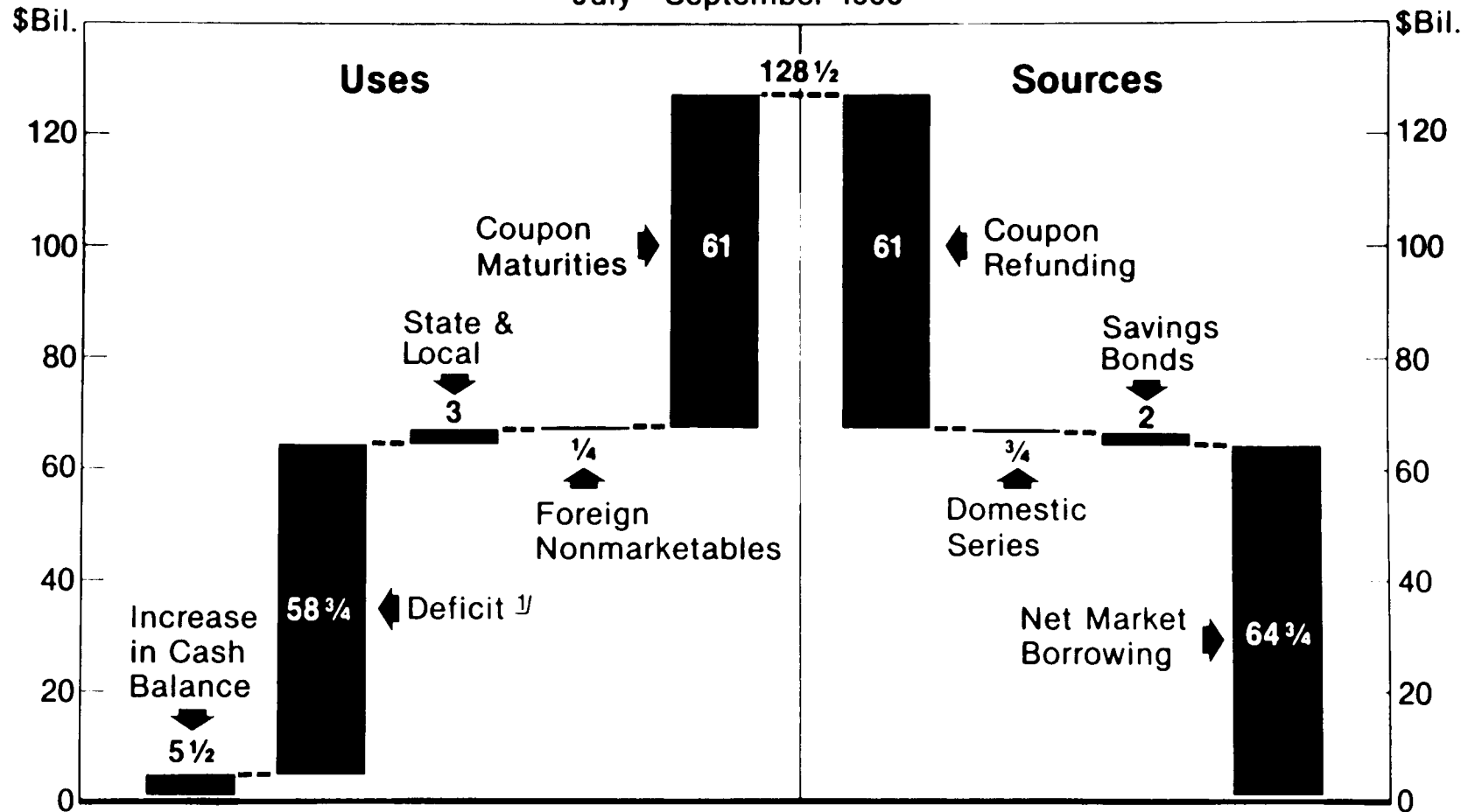
6. We estimate Treasury net market borrowing needs to be in the range of \$47 to \$52 billion for the January-March 1991 quarter, assuming a \$20 billion cash balance on March 31. The Treasury's January-March borrowing estimate does not include any allowance for Resolution Trust Corporation activities.

7. We anticipate that the next auction of REFCORP bonds will be announced on Wednesday, January 2, for auction on Tuesday, January 8, and settlement Tuesday, January 15.

8. The 10-year note and 29 3/4-year bond announced today will be eligible for conversion to STRIPS (Separate Trading of Registered Interest and Principal of Securities) and, accordingly, may be divided into separate interest and principal components.

TREASURY FINANCING REQUIREMENTS

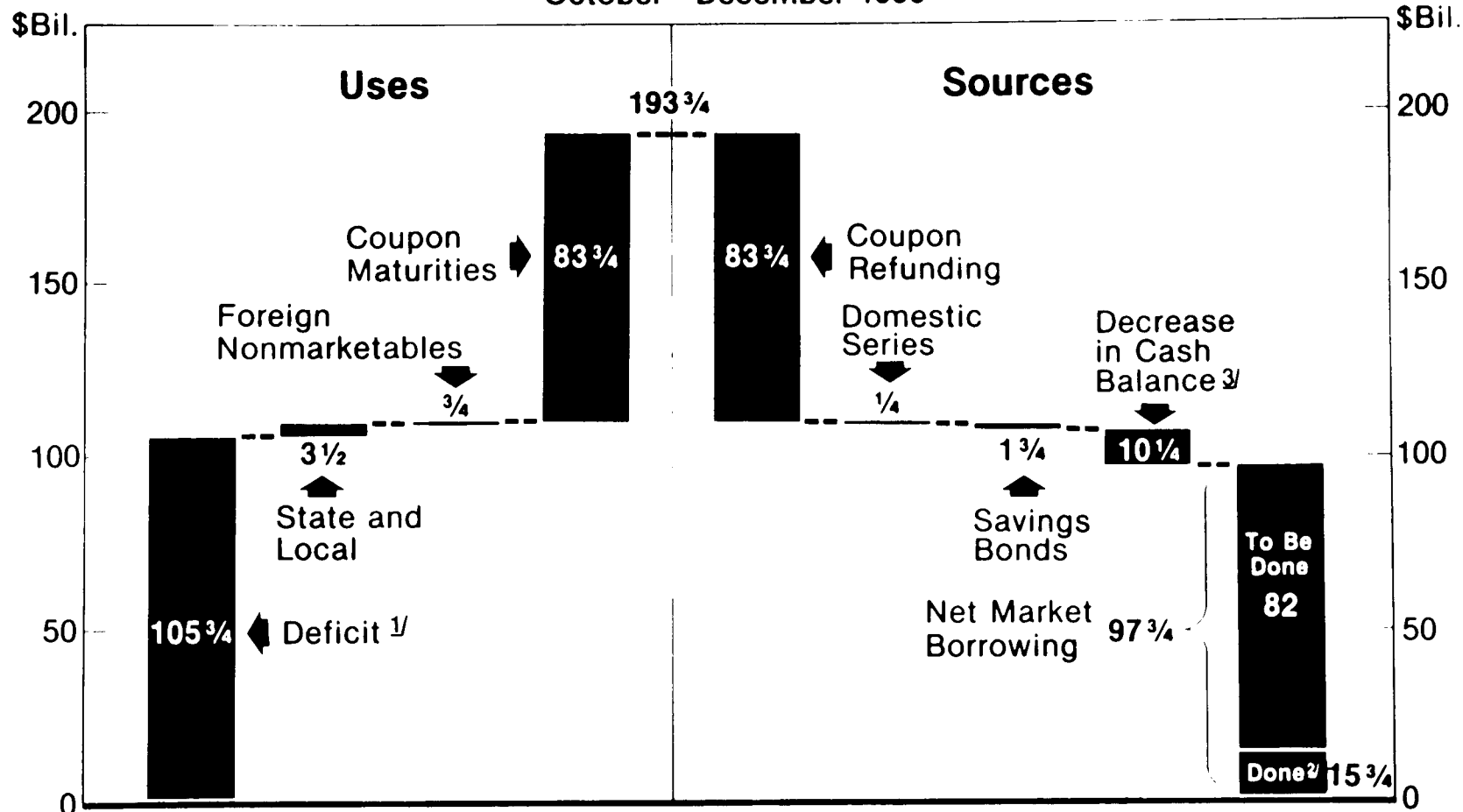
July - September 1990



1/ Includes budget deficit, changes in accrued interest and checks outstanding, transfer of \$5 billion of REFCORP bond proceeds to RTC, and minor miscellaneous debt transactions.

TREASURY FINANCING REQUIREMENTS

October - December 1990



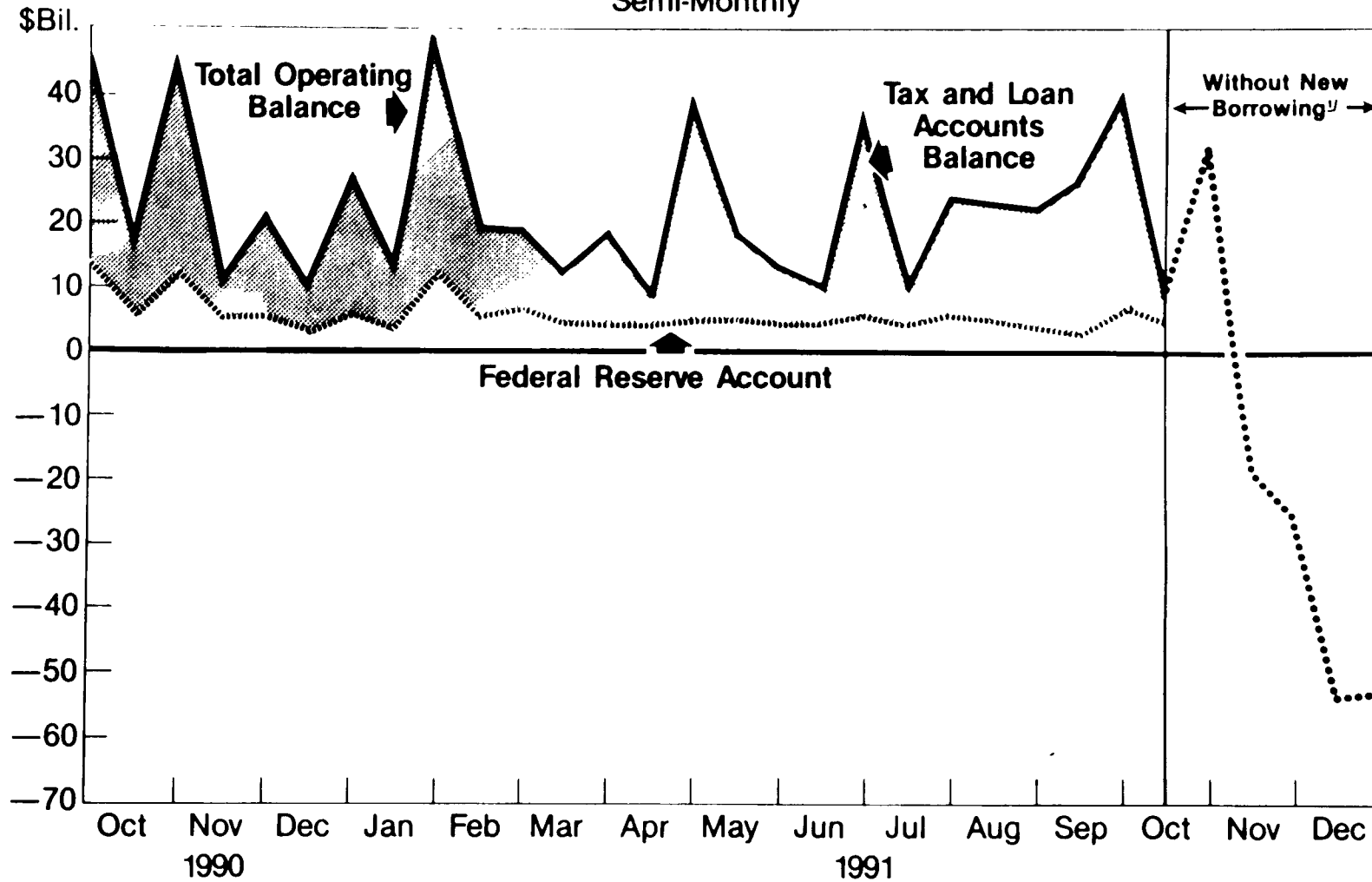
1/ Includes budget deficit, changes in accrued interest and checks outstanding, transfer of \$5 billion of REFCORP bond proceeds to RTC, and minor miscellaneous debt transactions.

2/ Issued or announced through October 26, 1990.

3/ Assumes a \$30 billion cash balance December 31, 1990.

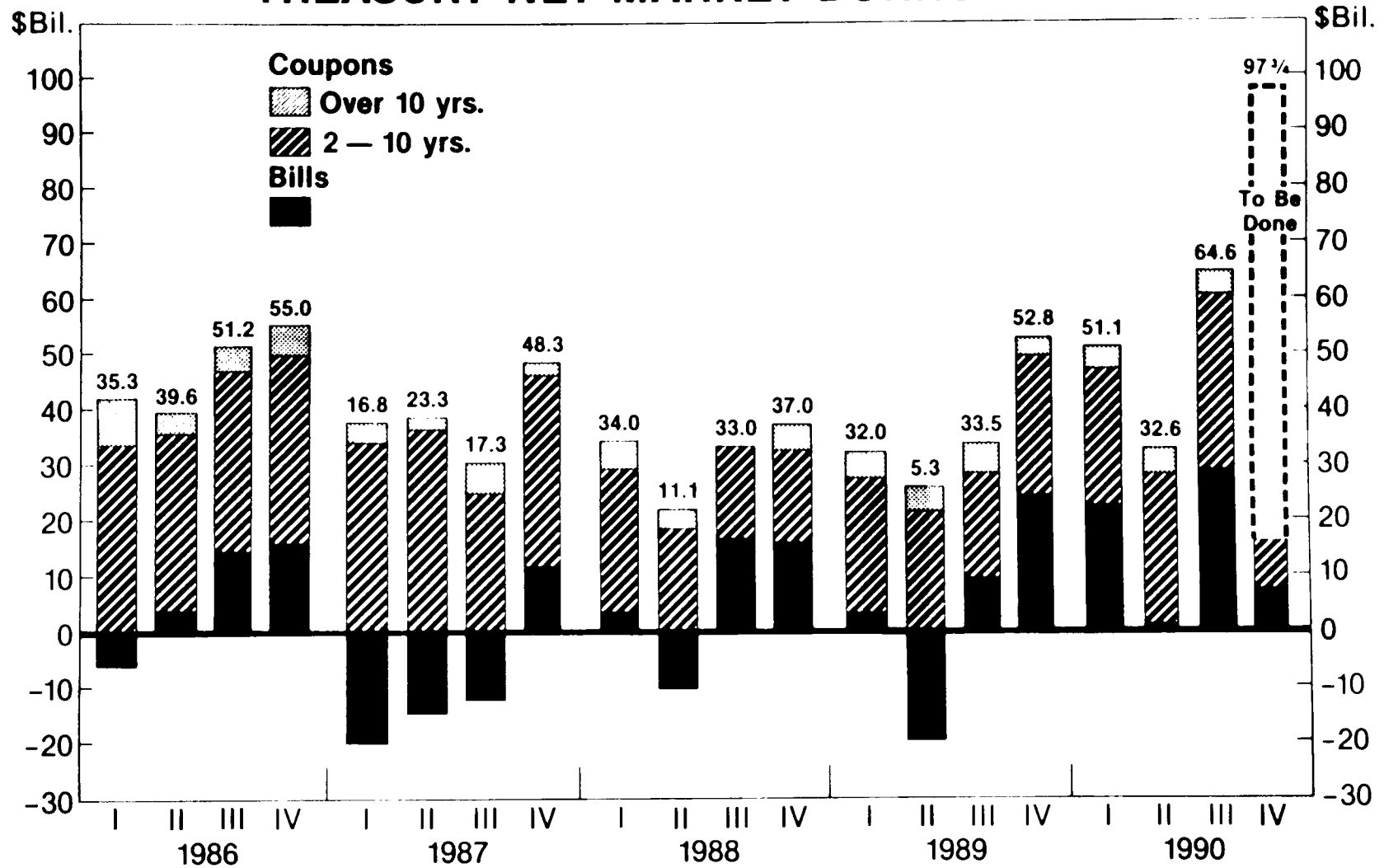
TREASURY OPERATING CASH BALANCE

Semi-Monthly



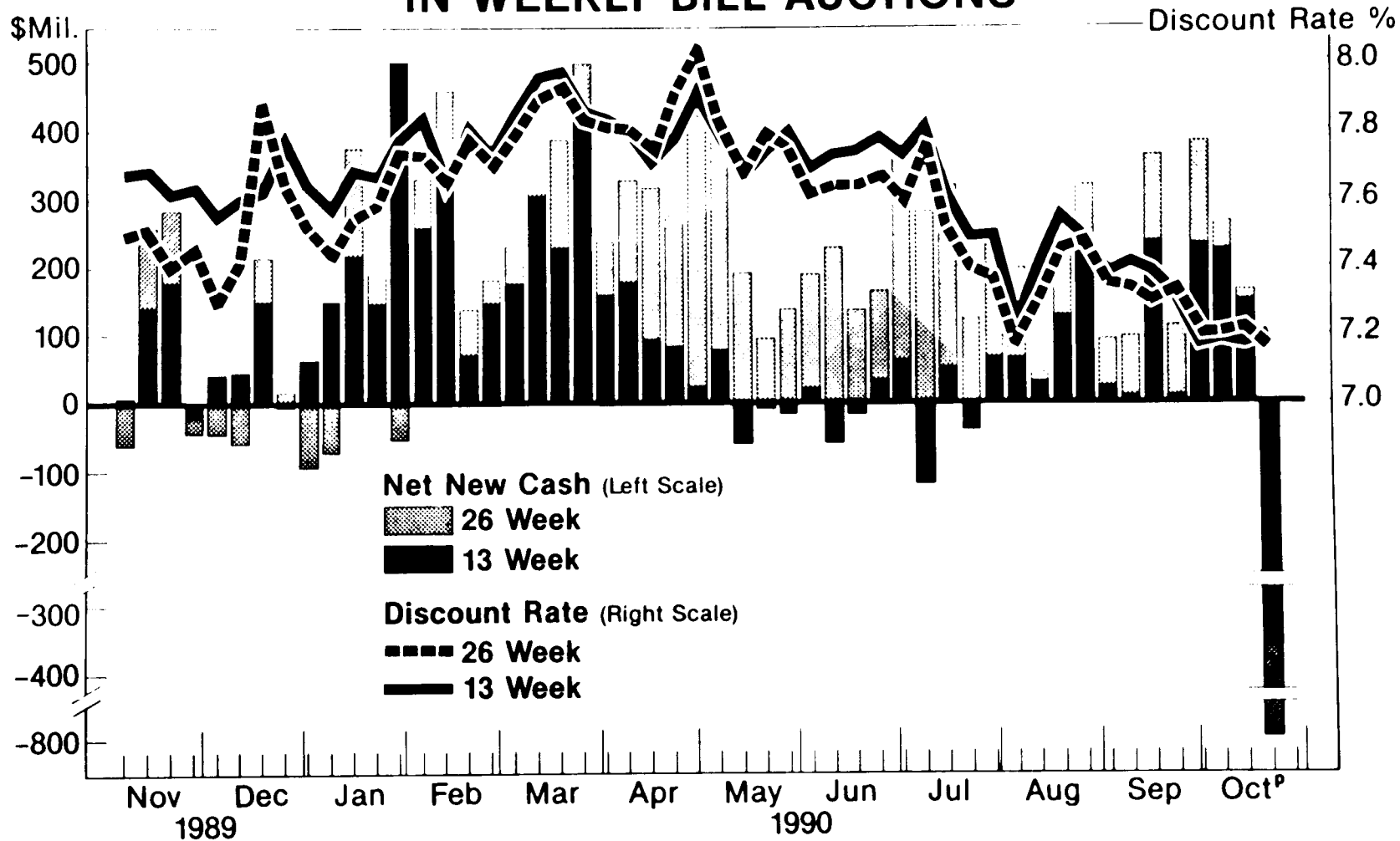
1/ Assumes refunding of maturing issues.

TREASURY NET MARKET BORROWING^{1/}



^{1/}Excludes Federal Reserve and Government Account Transactions.

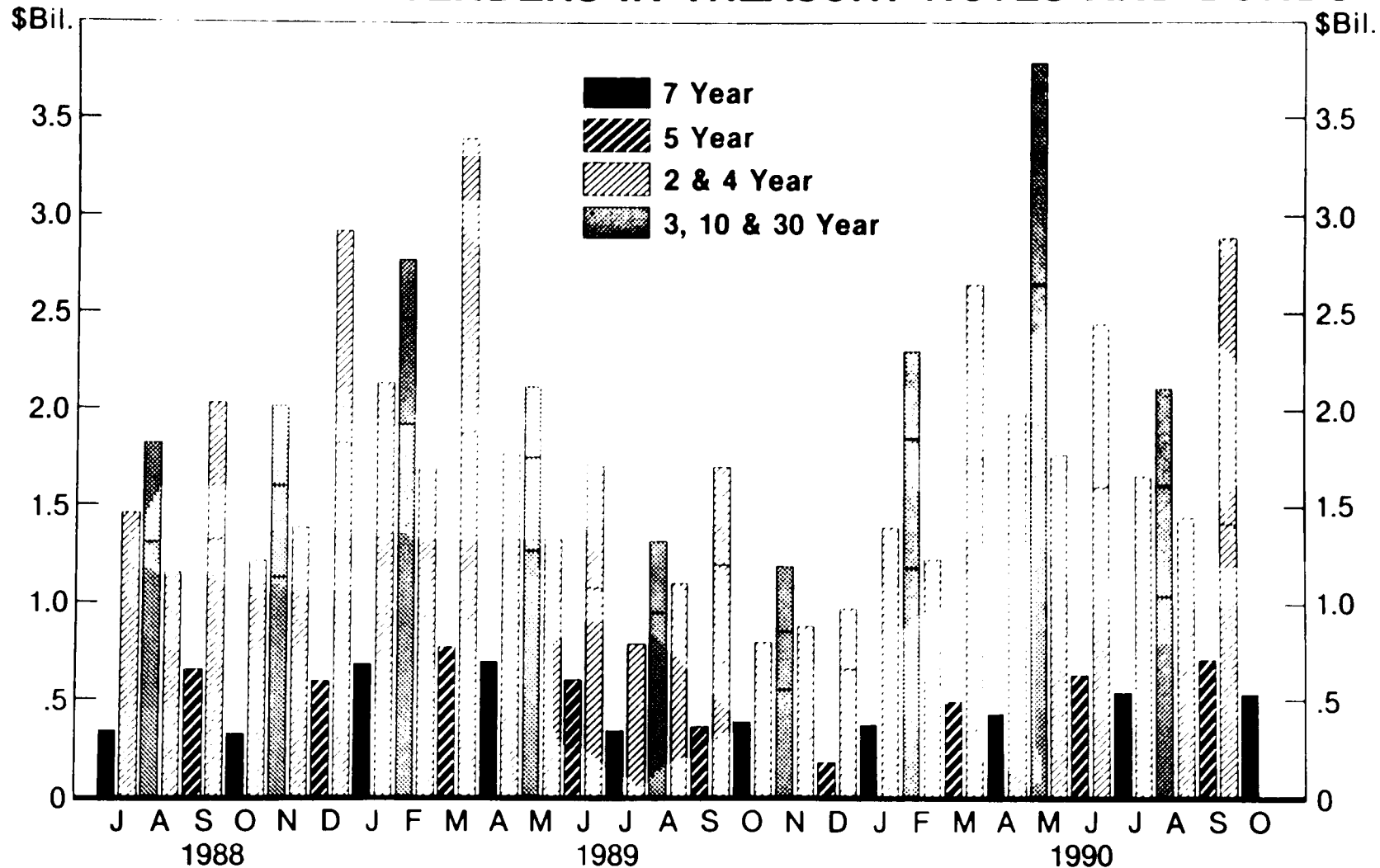
NET NEW CASH FROM NONCOMPETITIVE TENDERS IN WEEKLY BILL AUCTIONS



1/ Excludes noncompetitive tenders from foreign official accounts.

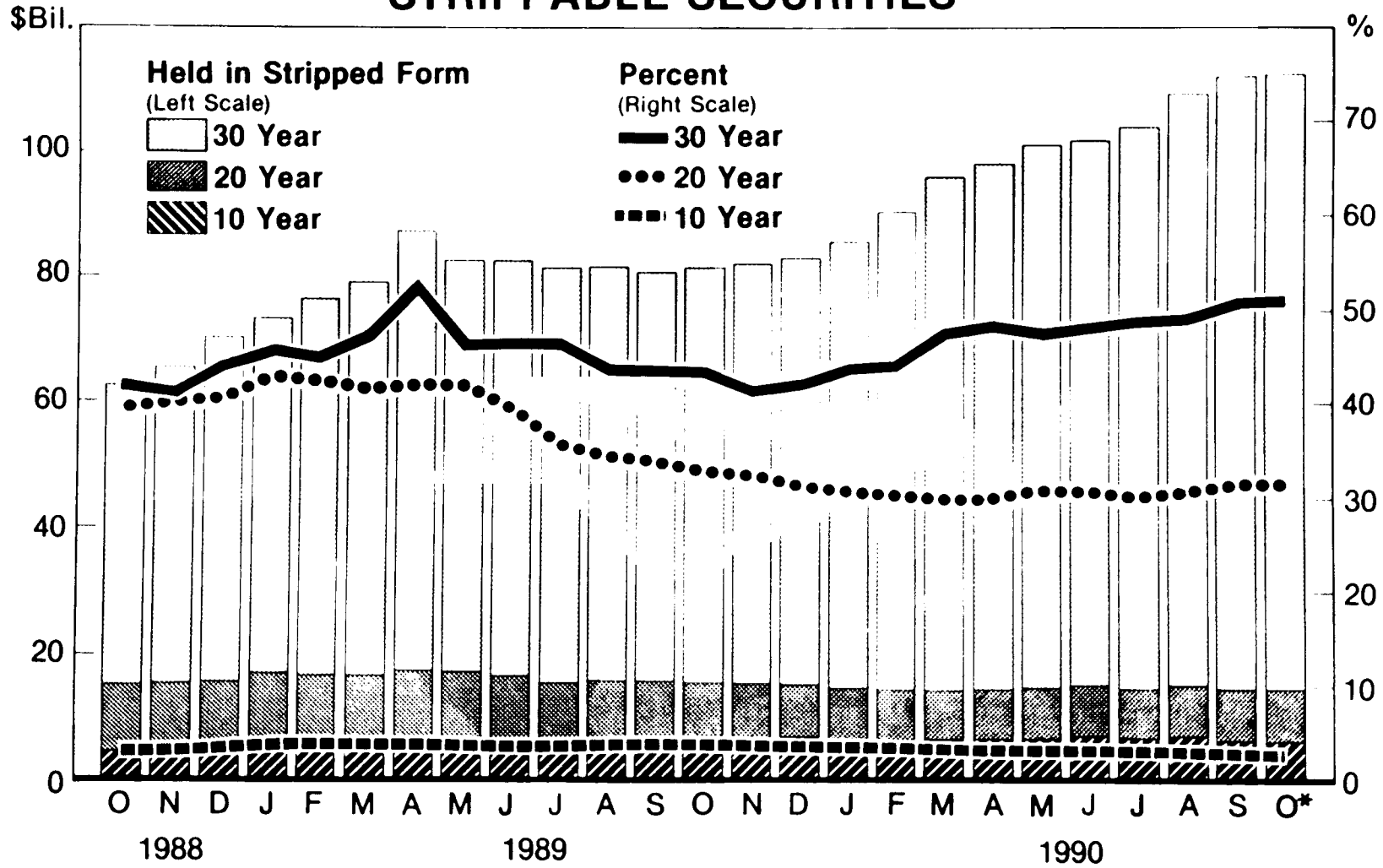
P Preliminary

NONCOMPETITIVE TENDERS IN TREASURY NOTES AND BONDS ¹

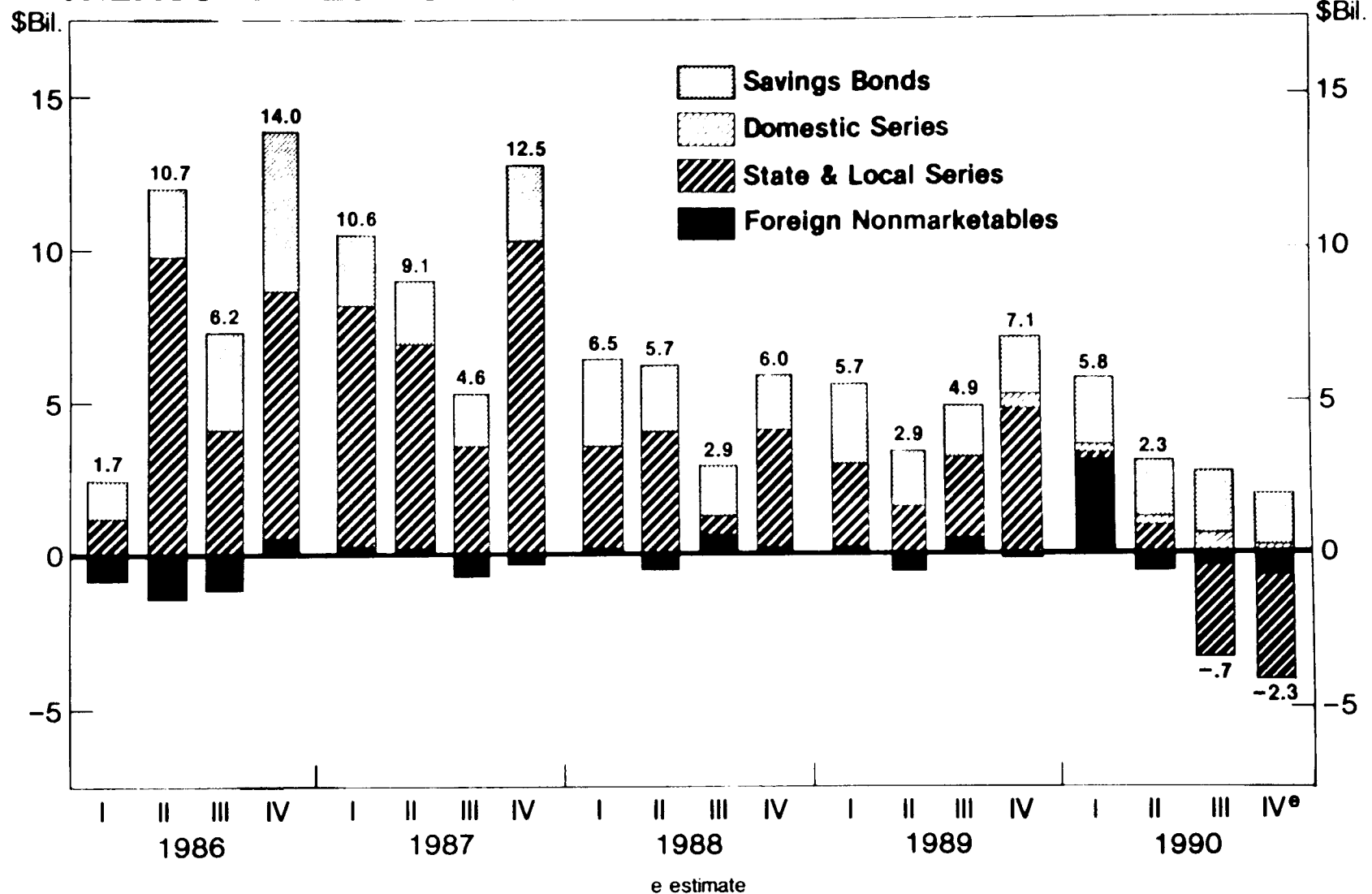


¹ Excludes noncompetitive tenders from foreign add-ons.

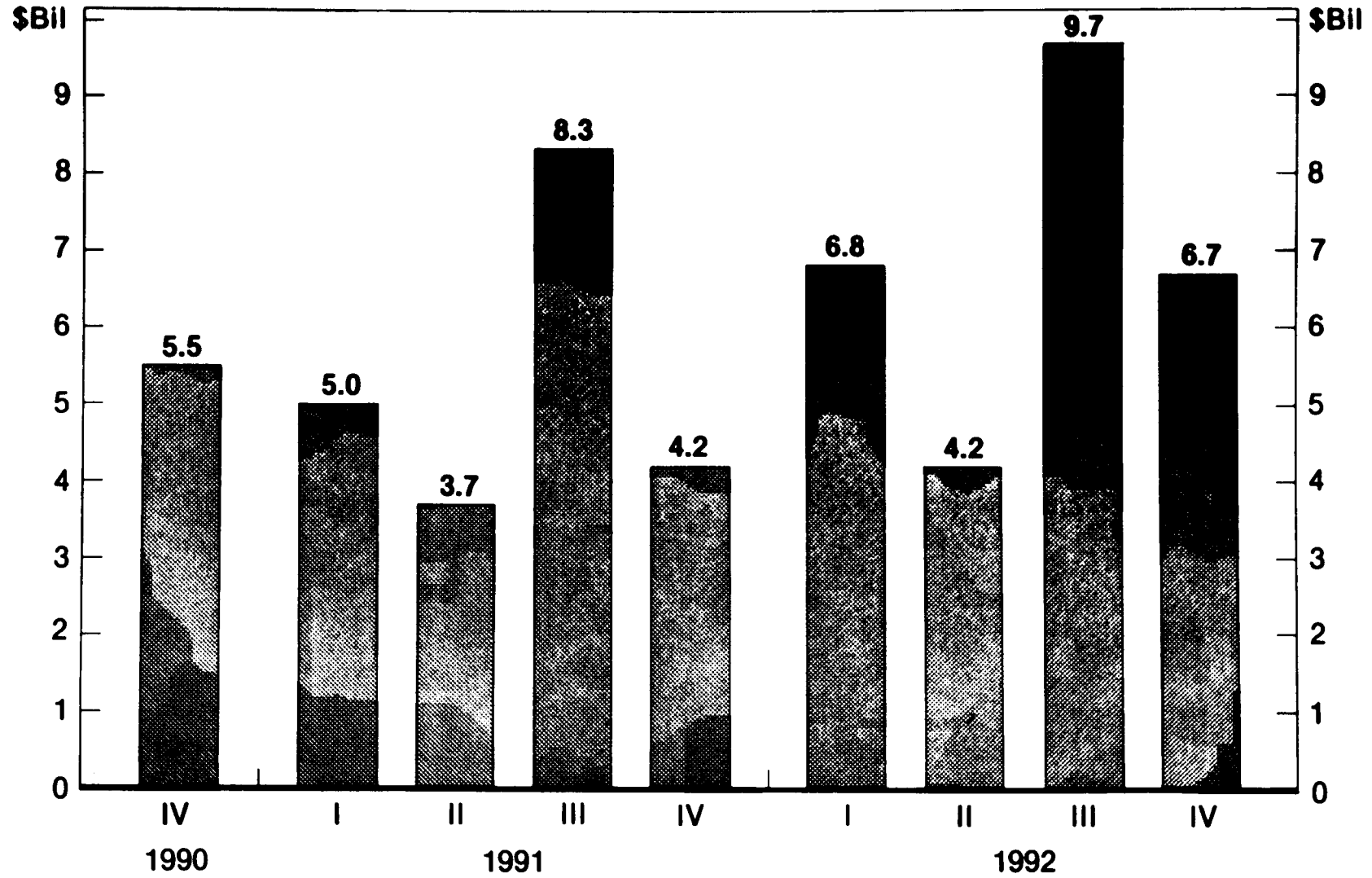
NET STRIPS AS A PERCENT OF PRIVATELY HELD STRIPPABLE SECURITIES



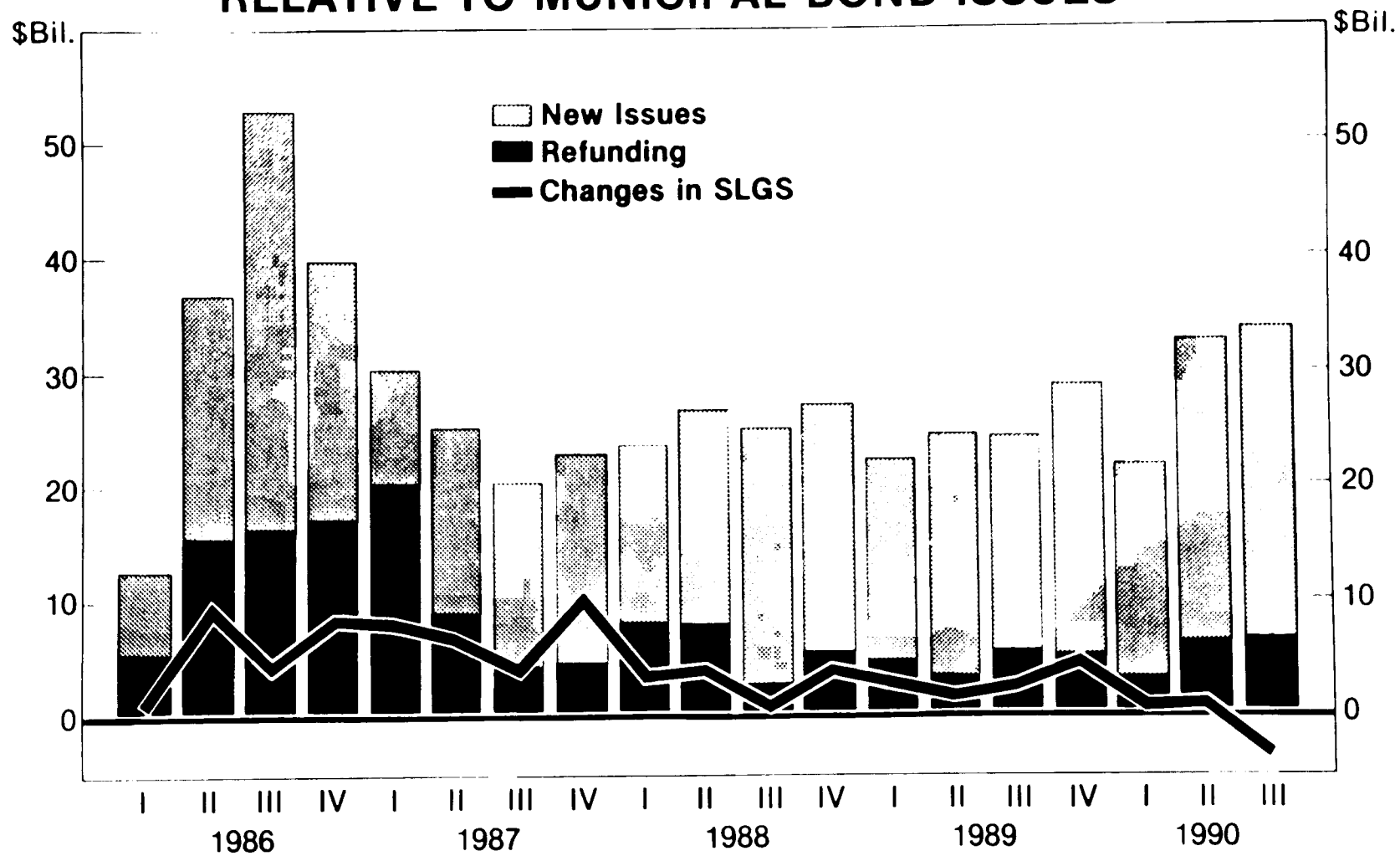
TREASURY NET BORROWING FROM NONMARKETABLE ISSUES



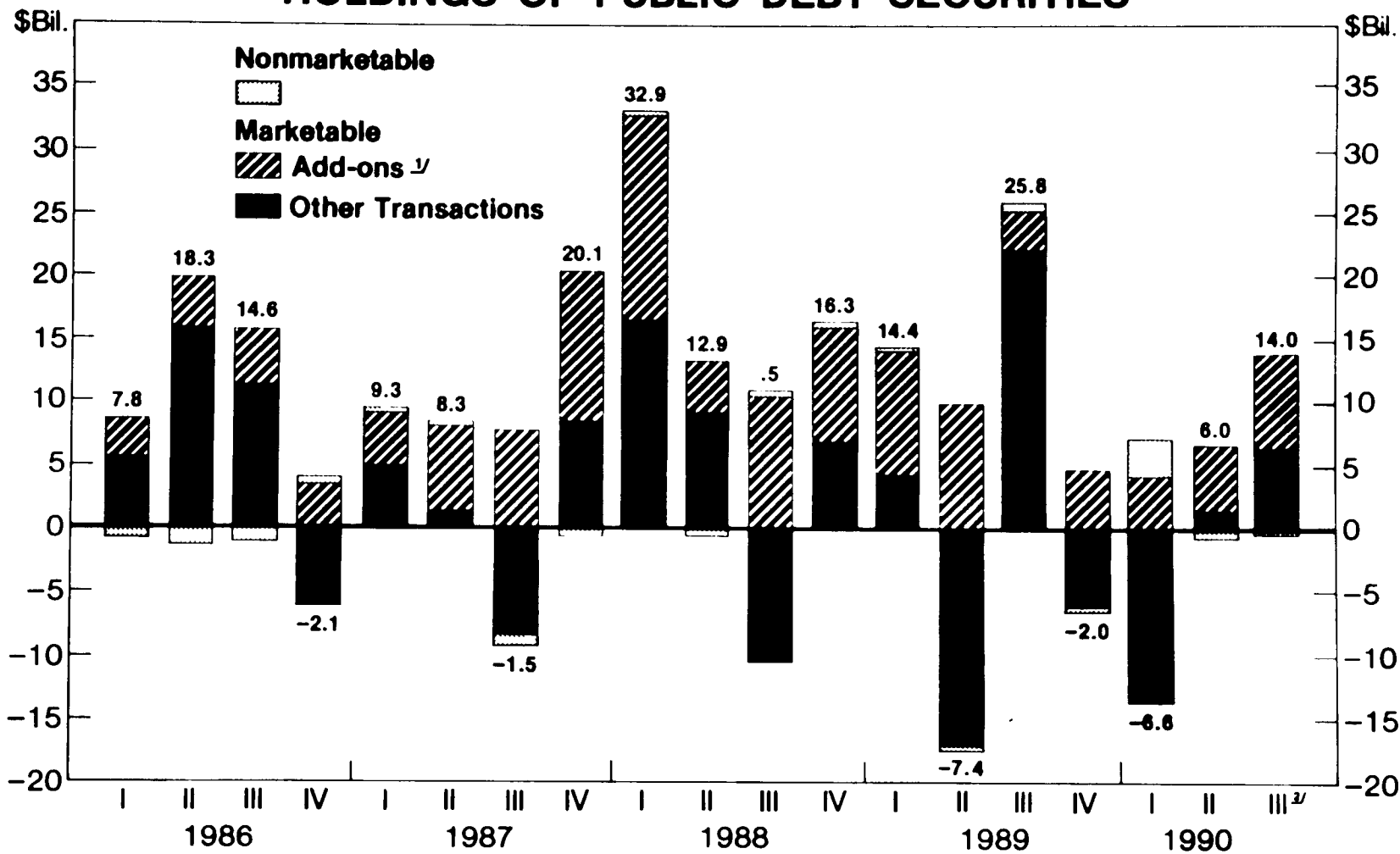
STATE AND LOCAL MATURITIES 1990 — 1992



CHANGES IN STATE & LOCAL GOVERNMENT SERIES RELATIVE TO MUNICIPAL BOND ISSUES



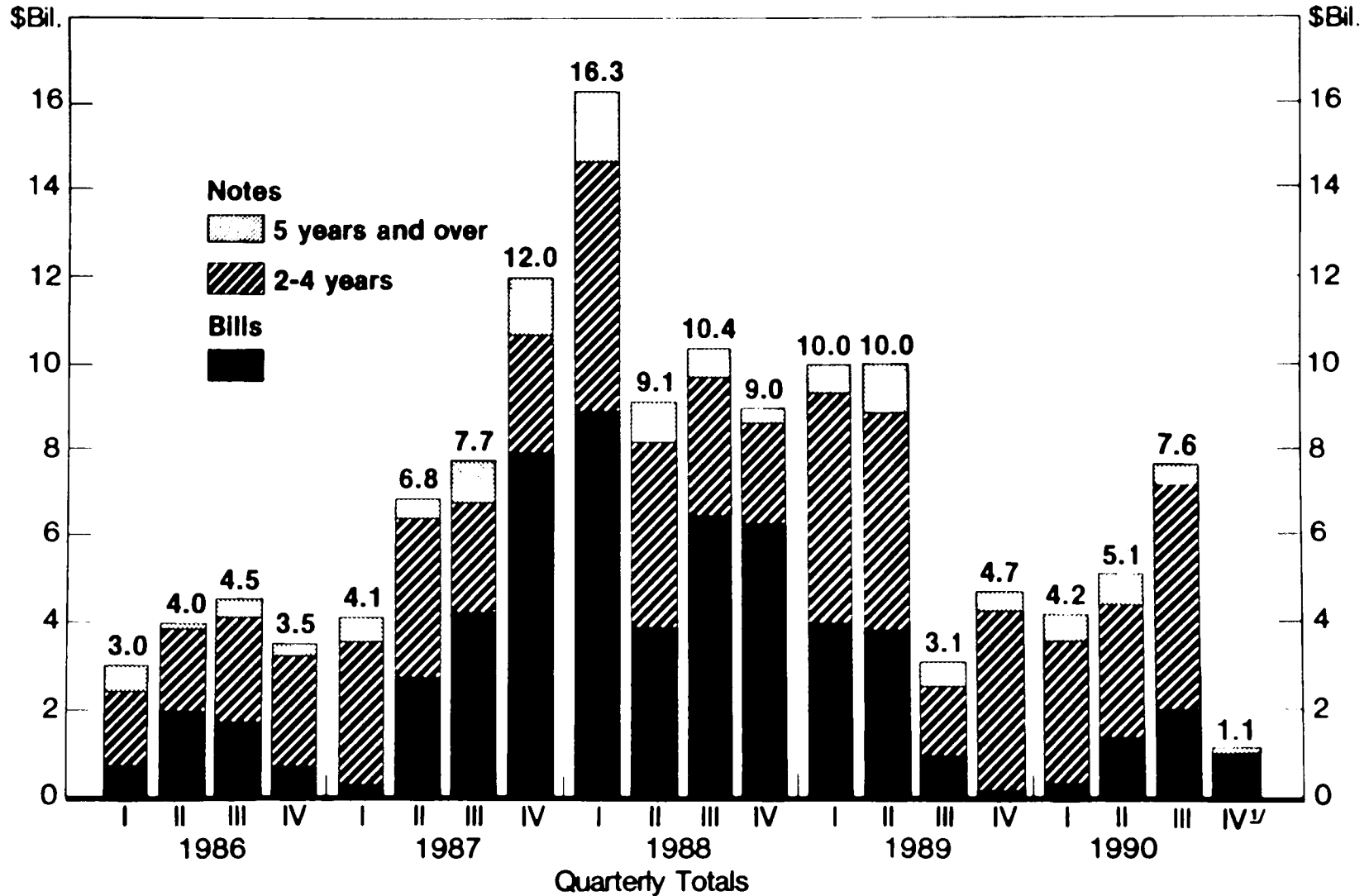
QUARTERLY CHANGES IN FOREIGN AND INTERNATIONAL HOLDINGS OF PUBLIC DEBT SECURITIES



^{1/}F.R.B. purchases of marketable issues as agents for foreign and international monetary authorities which are added to the announced amount of the issue.

^{2/}Preliminary.

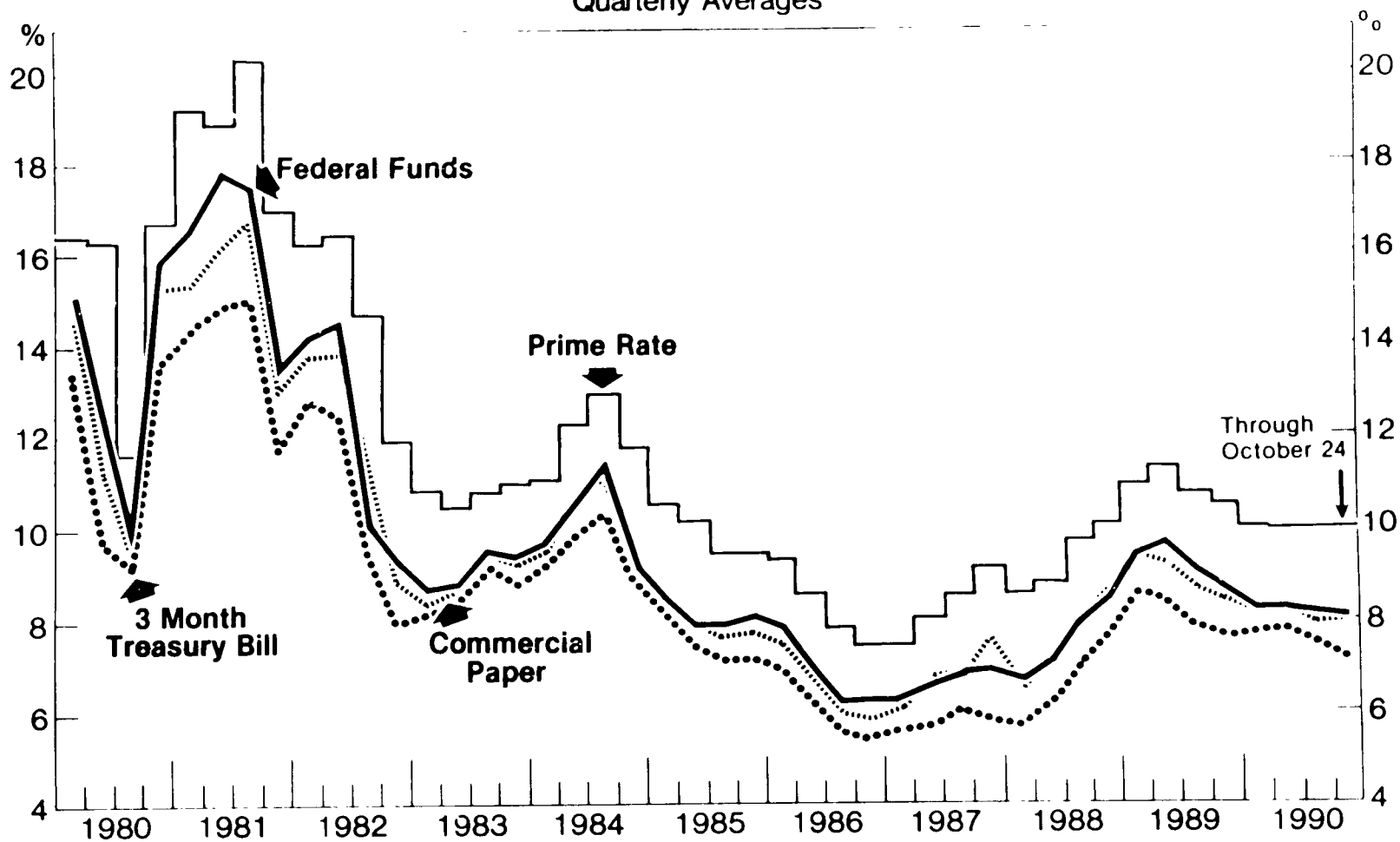
FOREIGN ADD-ONS IN TREASURY BILL AND NOTE AUCTIONS



Quarterly Totals
^{1/2}Through October 26, 1990.

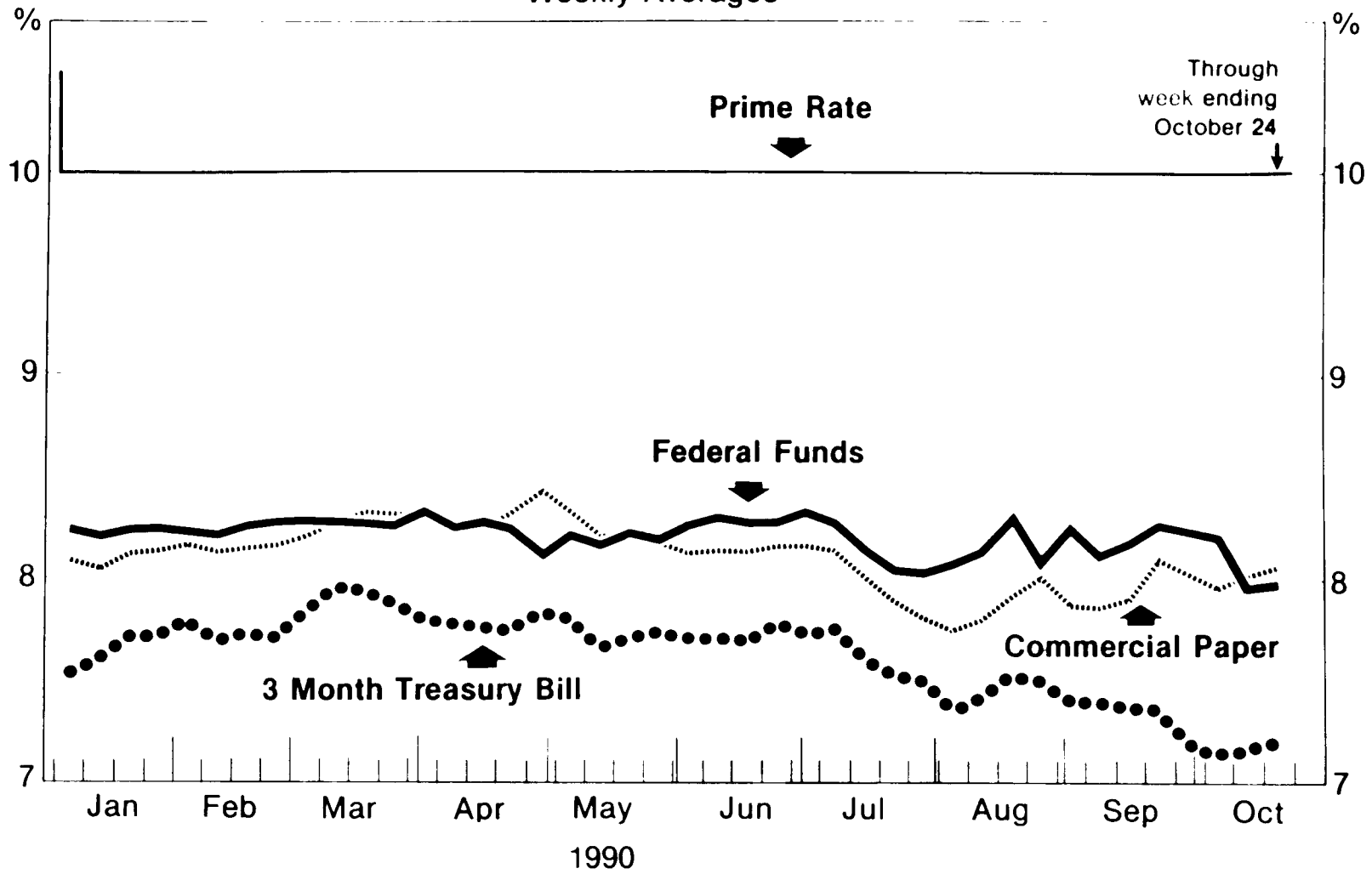
SHORT TERM INTEREST RATES

Quarterly Averages



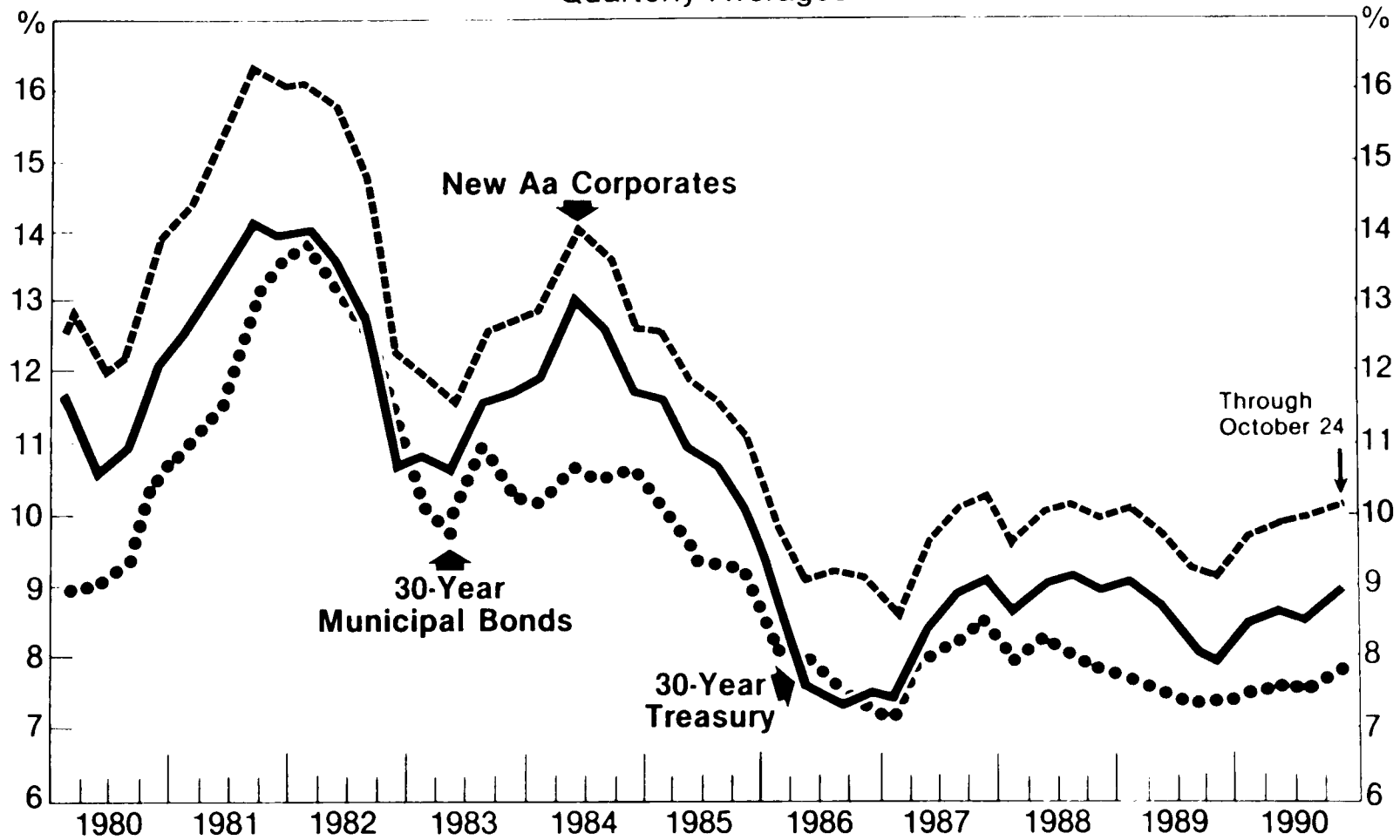
SHORT TERM INTEREST RATES

Weekly Averages

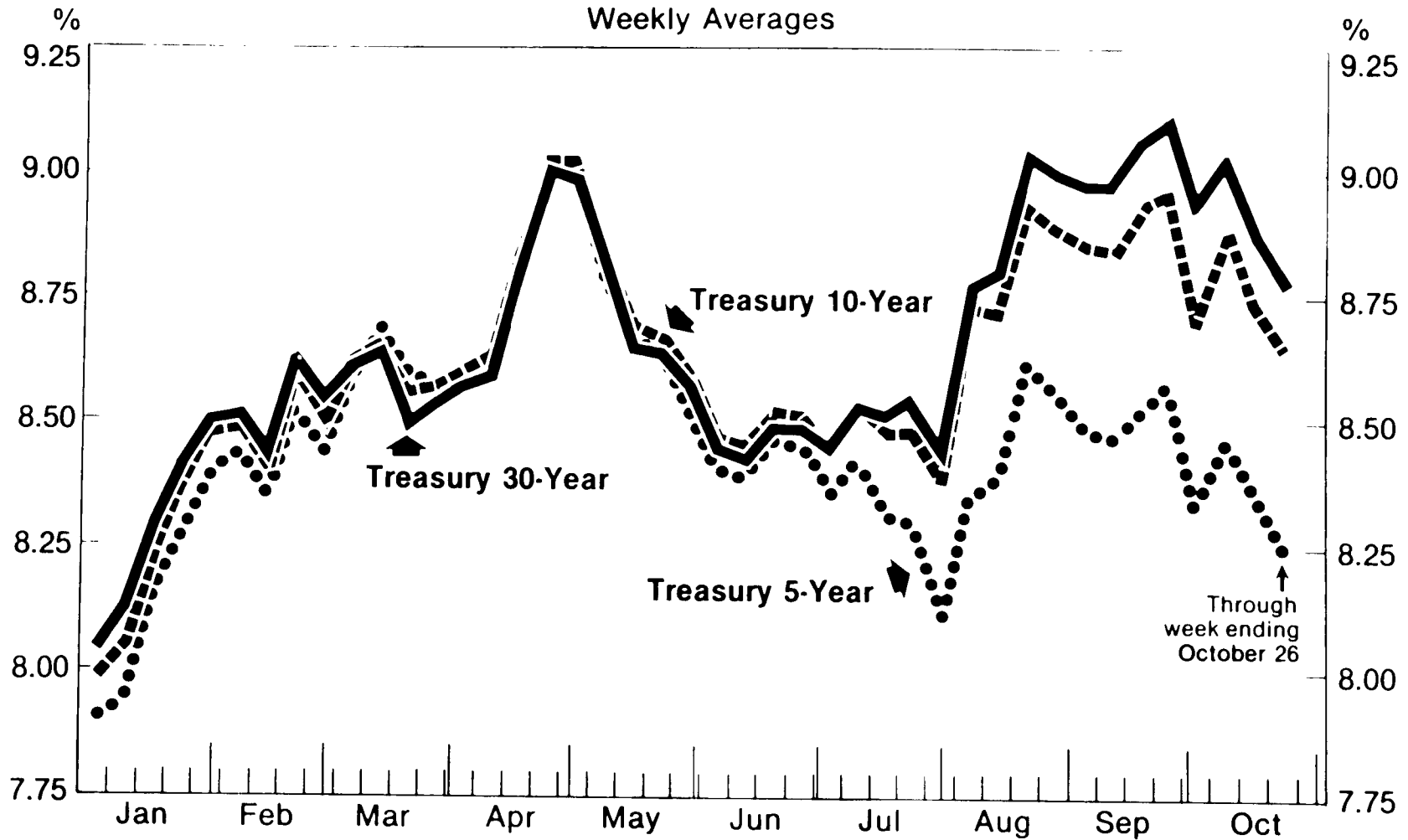


LONG TERM MARKET RATES

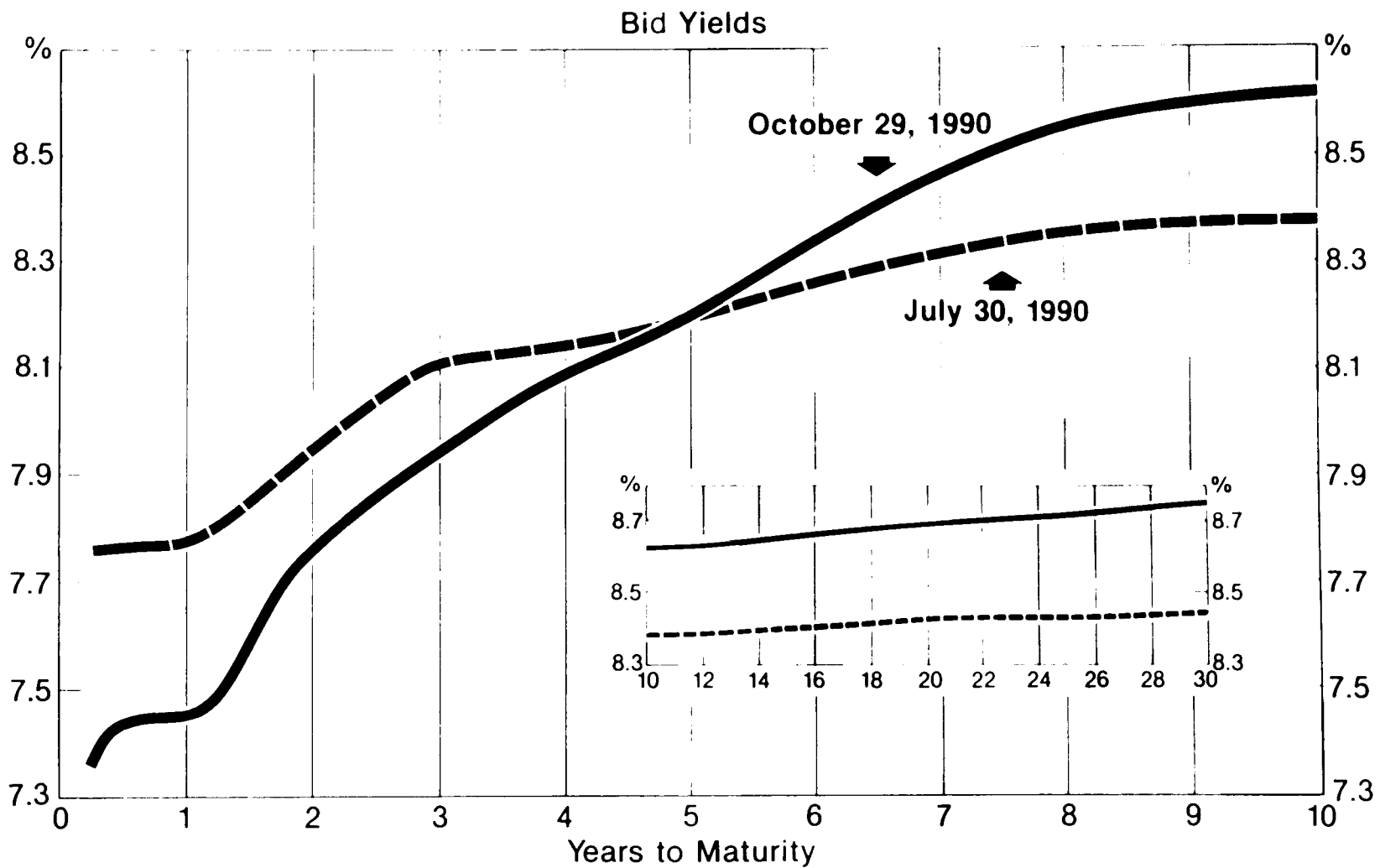
Quarterly Averages



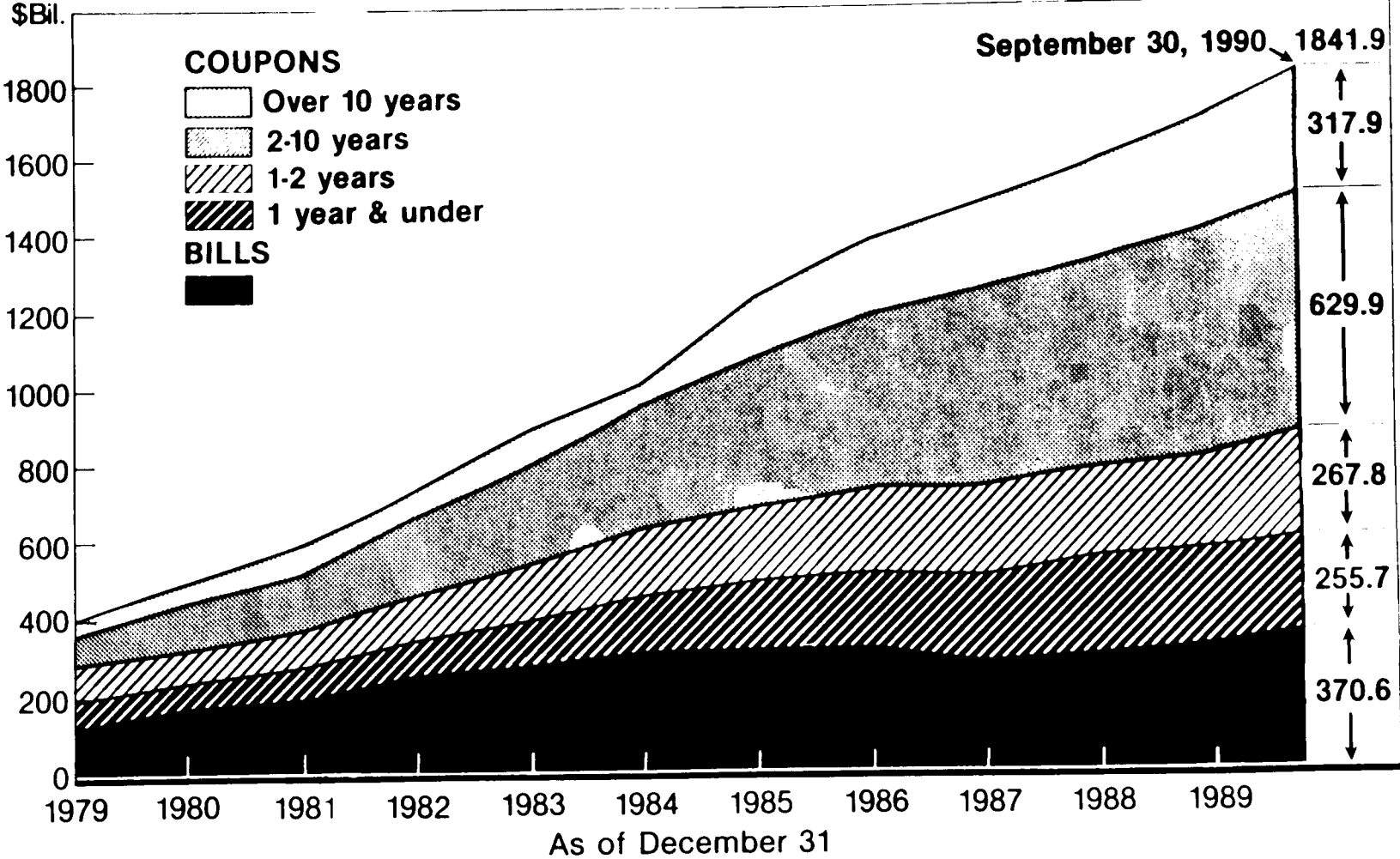
INTERMEDIATE AND LONG TERM TREASURY RATES



MARKET YIELDS ON GOVERNMENTS

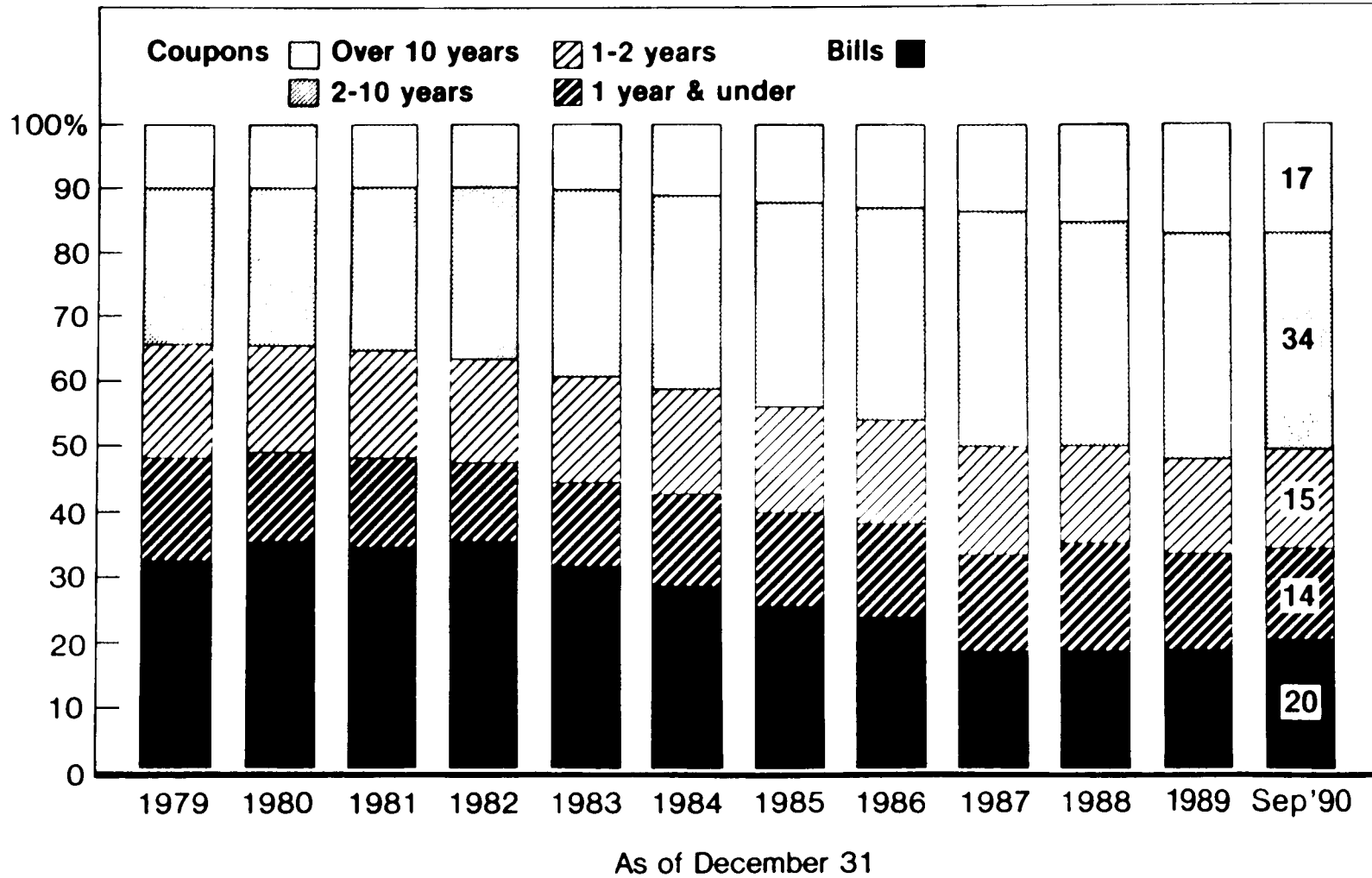


PRIVATE HOLDINGS OF TREASURY MARKETABLE DEBT BY MATURITY

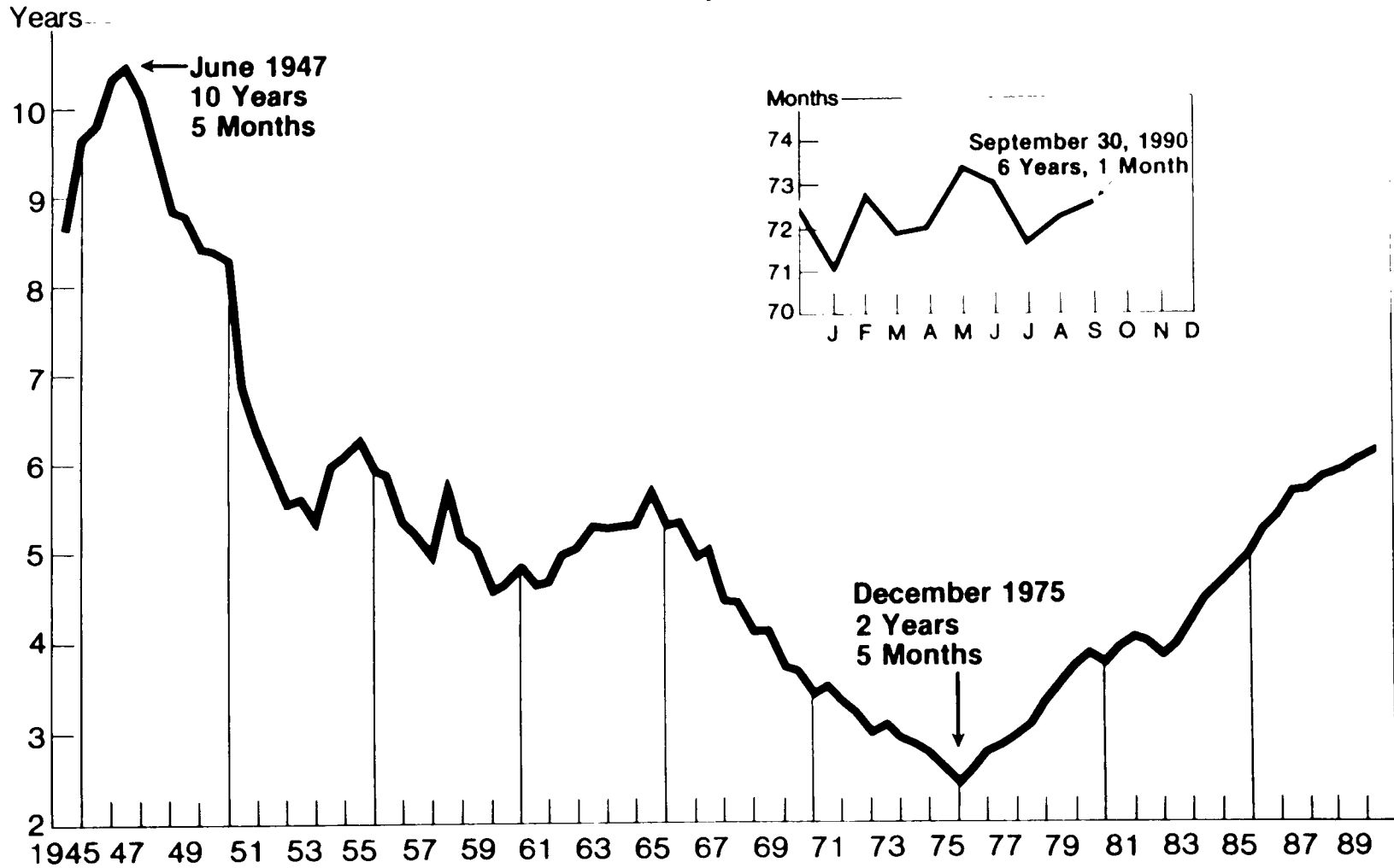


PRIVATE HOLDINGS OF TREASURY MARKETABLE DEBT

Percent Distribution by Maturity



AVERAGE LENGTH OF THE MARKETABLE DEBT Privately Held



MATURING COUPON ISSUES

November 1990—March 1991

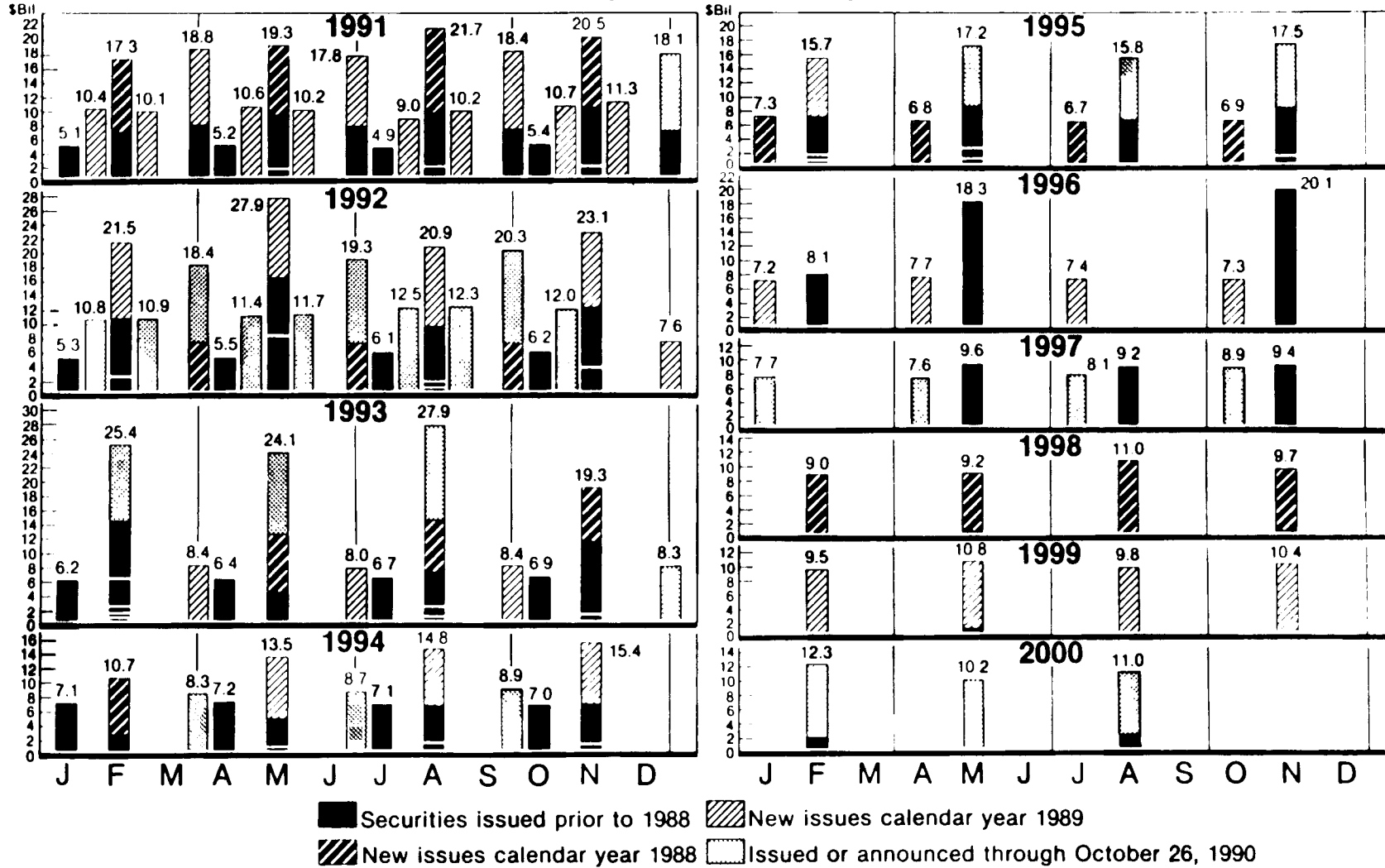
(In millions of dollars)

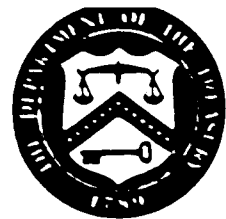
Maturing Coupons	September 30, 1990			
	Total	Held by		
		Federal Reserve & Government Accounts	Private Investors	Foreign Investors ^{1/}
13% Note 11/15/90 - B	5,701	786	4,915	498
9 5/8% Note 11/15/90 - M	7,843	249	7,594	1,474
8% Note 11/15/90 - V	13,407	2,385	11,022	1,717
8 7/8% Note 11/30/90 - AH	10,605	495	10,110	710
6 5/8% Note 12/31/90 - R	8,393	168	8,225	871
9 1/8% Note 12/31/90 - AJ	11,007	1,100	9,907	1,018
11 3/4% Note 1/15/91 - D	5,512	397	5,115	498
9% Note 1/31/91 - V	11,191	804	10,387	955
9 1/8% Note 2/15/91 - H	7,687	461	7,226	493
7 3/8% Note 2/15/91 - R	11,592	1,483	10,109	1,383
9 3/8% Note 2/28/91 - W	11,062	1,000	10,062	854
6 3/4% Note 3/31/91 - M	8,555	376	8,179	803
9 3/4% Note 3/31/91 - X	12,147	1,500	10,647	2,365
Totals	124,702	11,204	113,498	13,639

^{1/} F.R.B. custody accounts for foreign official institutions, included in Private Investors

TREASURY MARKETABLE MATURITIES

Privately Held, Excluding Bills





TREASURY NEWS

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

FOR IMMEDIATE RELEASE

November 1, 1990

CONTACT: CHERYL CRISPEN

(202) 566-5252

UNITED STATES AND BRAZIL TO DISCUSS A NEW INCOME TAX TREATY

The Treasury Department announced today that representatives of the United States and Brazil will meet in Washington, November 13-16, to discuss a possible bilateral income tax treaty. There is no income tax treaty now in effect between the two countries.

The negotiations will take into account the model income tax treaties published by the Organization for Economic Cooperation and Development, the United Nations, and the U.S. Treasury Department, as well as tax treaties recently concluded by the two countries with other countries, and recent changes in their respective income tax laws.

Income tax treaties provide rules for the taxation of income derived in one of the countries (the "source" country) by residents of the other. They establish when the source country may tax various classes of income and specify maximum rates of tax at source on certain items, such as dividends, interest and royalties. They also provide for administrative cooperation between the tax authorities of the two countries and guarantee non-discriminatory taxation. Treaty benefits are limited to residents of the two countries.

Persons wishing to offer comments or suggestions on the negotiations are invited to write to Philip D. Morrison, International Tax Counsel, Treasury Department, Washington, DC 20220.

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PRESS RELEASE

OVERSIGHT BOARD DEPARTMENT OF THE TREASURY Resolution Trust Corporation

1777 F STREET, N.W. WASHINGTON, D.C. 20232

FOR IMMEDIATE RELEASE
November 1, 1990
OB 90-64

Contact: Art Siddon
Felisa Neuringer
(202) 786-9672

OVERSIGHT BOARD APPROVES WORKING CAPITAL PLAN FOR RTC TO PROCEED TEMPORARILY WITH S&L CLEANUP

The Oversight Board took action today that will allow the Resolution Trust Corporation (RTC) to continue to borrow working capital from the Federal Financing Bank (FFB) to resolve failed savings and loans, thus temporarily avoiding a virtual shutdown of case resolutions threatened when Congress adjourned on Oct. 28 without authorizing additional funds for the cleanup.

"The Oversight Board's action today is intended to keep the thrift cleanup on track until Congress can authorize additional funding," said Peter H. Monroe, president of the Oversight Board.

"However, Congress' failure to provide the RTC with the additional funds it needs already has caused taxpayers present value losses of \$250 to \$300 million," Monroe added. "The RTC cannot now accomplish until the end of March what it would have done by the end of December had Congress provided the necessary money."

According to the RTC, if the Oversight Board had awaited a Congressional fix of the note cap in March -- rather than acting today -- the losses could have been \$600 to \$700 million. So today's action by the Oversight Board may save the American taxpayer \$350 to \$400 million.

The Oversight Board voted to follow strictly the note cap provisions of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). This will allow the RTC to make use of the entire \$50 billion already approved by Congress to close or sell the failed savings and loans. It also will allow the RTC to continue borrowing funds from the FFB for working capital.

-more-

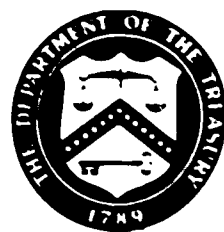
This will allow the RTC to complete 18 major resolutions that would otherwise have been postponed.

To date, Congress has authorized \$50 billion for loss funds comprised of \$18.8 billion provided through Treasury, \$1.2 billion contributed by the Federal Home Loan Banks, and \$30 billion to be raised through bonds issued by the Resolution Funding Corporation (REFCORP), of which \$7 billion has not yet been auctioned. As of the end of September, the RTC had borrowed about \$46 billion for working capital -- funds to be repaid to the Federal Financing Bank as the RTC sells its assets.

The Oversight Board, established by FIRREA, formulates the policy, approves the funding, and provides the general oversight for the RTC, the agency responsible for resolving the nation's failed thrifts.

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TREASURY NEWS



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

FOR IMMEDIATE RELEASE
November 2, 1990

Contact: Cheryl Crispen
(202) 566-5252

HIGHER-INCOME TAXPAYERS PAY LARGER SHARE OF INCOME TAXES

Final data from 1988 individual income tax returns show that the share of federal income taxes paid by higher income taxpayers has increased since 1981, while the share paid by lower-income taxpayers has decreased, the Treasury Department said.

Percentiles drawn from Internal Revenue Statistics of Income data show that the share paid by the lower 95 percent of all taxpayers fell from 64.6 percent in 1981 to 54.4 percent in 1988, while the share paid by the top 5 percent increased from 35.4 percent in 1981 to 45.6 percent in 1988. Note that these and other statistics given below reflect the results of the law in effect in past years, and do not incorporate the effects of individual income tax provisions in the 1990 Budget Reconciliation, which take effect in 1991.

Further percentile breakdowns show:

- The share of federal individual income taxes paid by the top 1 percent of taxpayers was 27.6 percent in 1988--54 percent larger than the 17.9 percent share paid in 1981. The 1988 share is even larger than the 25.7 percent share in 1986, even though the 1986 data reflect the large capital gains realizations stimulated by the increase in capital gains tax rates in 1987.
- The share paid by those in the 96th percentile through 99th percentile rose to 18.0 percent in 1988 from 17.5 percent in 1981.
- The share paid by those in the 51st to 95th percentiles declined to 48.7 percent in 1988 from 57.2 percent in 1981.
- The share paid by the lowest 50 percent of taxpayers was 5.7 percent in 1988--23 percent less than the 7.4 percent share paid in 1981 and also lower than the 6.1 percent share paid in 1987.

Increases in the share of taxes paid by higher-income taxpayers also are reflected in data by income category:

- ° In 1988, taxpayers with modified adjusted gross incomes (AGI) of \$100,000 or more paid \$149.0 billion in federal individual incomes taxes, or 36.1 percent of all taxes paid. This was a large increase over 1987 and an even larger increase over the 25.7 percent share and \$83.7 billion paid in 1985.
- ° Taxpayers with AGIs between \$50,000 and \$100,000 in 1988 paid \$107.7 billion, a 26.1 percent share, up from \$80.0 billion and a 24.6 percent share in 1985. Compared to 1987, this group's tax payments increased, but their share declined.
- ° Taxpayers with AGIs under \$50,000 received a net tax cut of \$5.8 billion between 1985 and 1988, as their total taxes paid fell from \$162.0 billion to \$156.2 billion and their share fell from 49.7 percent to 37.8 percent. Compared to 1987, this group's tax payments increased but their share declined by 8 percent.

The Tax Reform Act of 1986 significantly altered the definition of adjusted gross income for 1987 and later years. For comparability, the IRS applied a modified adjusted gross income to tax years 1985 through 1988. Modified adjusted gross income was not used when compiling data for earlier years since compilation and publication had been completed before tax reform and the modified concept became reality.

Data by income category in part reflect the effects of inflation and productivity growth pushing taxpayers into higher income categories. The percentile data correct for inflation and productivity, and therefore are more meaningful.

The attached table provides data by percentiles and income categories. More comprehensive data appear in the Statistics of Income Bulletin published by the Internal Revenue Service.

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CHANGES IN THE DISTRIBUTION OF
FEDERAL INDIVIDUAL INCOME TAX PAYMENTS, 1981-1988

I. Shares of Tax Payments by Percentiles

<u>Percentile</u>	<u>1981</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>Percentage Change in Shares, 1981-88</u>
Lowest 50%	7.4%	7.1%	6.5%	6.1%	5.7%	-23%
51-95%	57.2	53.6	51.0	50.7	48.7	-15
96-99%	17.5	17.0	16.8	18.4	18.0	+ 3
Top 1%	17.9	22.3	25.7	24.8	27.6	+54

II. Shares of Tax Payments by Income Category

<u>Modified Adjusted Gross Income</u> ¹	<u>1985</u>		<u>1986</u>		<u>1987</u>		<u>1988</u>	
	<u>Taxes Paid</u> ^{2/}	<u>Share</u>	<u>Taxes Paid</u> ^{2/}	<u>Share</u>	<u>Taxes Paid</u> ^{2/}	<u>Share</u>	<u>Taxes Paid</u> ^{2/}	<u>Share</u>
Under \$50,000	\$162.0	49.7%	\$160.8	43.8%	\$151.8	41.1%	\$156.2	37.8%
\$50,000- \$100,000	80.0	24.6	89.6	24.4	99.9	27.1	107.7	26.1
Over \$100,000	83.7	25.7	116.9	31.8	117.5	31.8	149.0	36.1

Department of the Treasury
Office of Tax Analysis

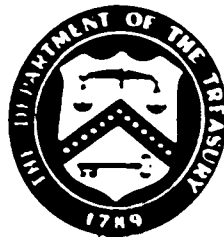
November 2, 1990

^{1/} The Tax Reform Act of 1986 significantly altered the definition of Adjusted Gross Income (AGI) for 1987 and subsequent years. For comparability across years, AGI was modified in all four years to reflect the same concept of income.

^{2/} Dollar amounts in billions.

Source: Internal Revenue Service, Statistics of Income Division.

TREASURY NEWS



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

For Immediate Release
November 5, 1990

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DEPT. OF TREASURY
Contact: Cheryl Crispen
(202) 566-5252

THE UNITED STATES AND THE REPUBLIC OF VENEZUELA SIGN AN AGREEMENT TO COMBAT MONEY LAUNDERING

The Governments of the United States and the Republic of Venezuela today joined forces to fight illicit drug trafficking and money laundering by signing an agreement to exchange financial information. The agreement, signed by U.S. Treasury Secretary Nicholas F. Brady, Venezuelan Finance Minister Roberto Pocaterra and Venezuelan Central Bank President Pedro R. Tinoco Jr., provides a mechanism for exchanging currency transaction information recorded by financial institutions in each country for use in proceedings relating to the enforcement of laws applicable to the matters indicated.

In signing this agreement, Secretary Brady said, "We take another significant step in the effort to track illegal profits around the world and put criminals behind bars. By developing a network of countries committed to identifying the profits of narcotics trafficking, we can begin to deprive traffickers of their financial lifeline and dismantle their criminal organizations."

Minister Pocaterra and President Tinoco said, "By signing this Agreement the Venezuelan Government has taken one more step signifying its firm commitment to fight the drug problem in all its forms. In this instance, the establishment of a mechanism to facilitate the exchange of financial information with the United States of America strengthens our other domestic and international initiatives aimed at combatting illicit activities involving drugs and psychotropic substances."

The agreement is effective on January 1, 1991.

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TREASURY NEWS



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

Remarks of the Honorable
Robert R. Glauber
Under Secretary of the Treasury for Finance
before the
57th Annual Convention, Security Traders Association

"The Treasury's Once and Future Initiatives"

November 5, 1990

Ladies and Gentlemen:

I am delighted to be here this morning, on the occasion of your 57th annual convention, to discuss two important financial safety and soundness matters, which were not satisfactorily addressed by Congress before it adjourned, due in part to lobbying by special interest groups. These issues are volatility in financial markets and the oversight of government sponsored enterprises (GSEs). The refusal of Congress to act conclusively in each case continues to expose the financial system to the potential of serious breakdown.

I. Volatility in Financial Markets

As many of you know, last spring the Administration submitted to Congress a proposal to clarify the jurisdictions of the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC) over stock index futures. We attempted to resolve the regulatory fragmentation that we believe has been at the heart of the markets' instability since stock index futures first were introduced in 1982. Equally important, our proposal was intended to create a market environment that rekindles the interest of the individual investor.

Unfortunately, the 101st Congress has now adjourned without passing either our proposal or a more limited compromise version that seemed to be gaining momentum at the end of the session. The futures industry, including various agricultural groups that were completely unaffected by our bill, managed to delay floor consideration until the bill was overcome by more pressing items on the Congressional agenda.

The destabilizing effects of extraordinary volatility will persist until Congress comes to grips with the "one market" of stocks, stock options, and stock index futures. That was the fundamental conclusion in 1988 of the Task Force on Market Mechanisms, chaired by Secretary Brady, and it remains just as valid today. Recognition of the "one market" reality inherently demands setting in place the requisite regulatory changes. The current regulatory fragmentation is the fundamental impediment to

reducing the likelihood and dangerous consequences of major market disruptions. Congress is taking a very big risk in perpetuating the status quo.

As much as we all would like to believe the 508 point drop on Black Monday in 1987 and the 191 point drop in October last year were aberrations not likely to be repeated, common sense suggests otherwise. Certainly there have been some significant regulatory improvements. But the fundamental conditions that the Brady Task Force identified as giving rise to market instability -- unharmonized margins, disjointed clearance and settlement systems, and uncoordinated circuit breakers -- are either unchanged or at best partially improved. The Task Force concluded that these conditions brought the system to the brink of collapse in October 1987. That the system stopped short of complete meltdown may be reassuring, but it should not be considered failsafe.

Every day Congress fails to enact our proposal, regulators lack the tools necessary to contain the potential fallout of another destabilizing shock to the system. That spells continuing trouble and uncertainty, not only for traders and investors, but for our financial markets and capital formation process. A financial breakdown is a risk we simply cannot afford to take.

Let me therefore briefly explain what I mean by "extraordinary volatility" and why we believe regulatory fragmentation is the underlying problem that needs to be addressed.

Major Market Disruptions

In the past, large market moves were relatively infrequent and associated with news events that clearly affected fundamental values. For example, in the 42 years between 1940 and 1982, the year stock index futures began trading, the Dow Jones Industrial Average declined by more than 6 percent on only three occasions: when the Germans took the Netherlands in May of 1940 (6.8 percent); when they encircled the Allied forces at Dunkirk just days later (6.8 percent); and when President Eisenhower suffered a heart attack in September of 1955 (6.5 percent).

By contrast, such massive one-day selloffs have occurred four times in the last three years:

October 19, 1987	--	22.6 percent
October 26, 1987	--	8.0 percent
January 8, 1988	--	6.9 percent
October 13, 1989	--	6.9 percent

In each of these episodes, minor, even untraceable events appear to have triggered precipitous, violent market declines. They all shared the characteristic of enormous selling pressure from the stock index futures market flowing over to the stock market. And each episode constituted a major market disruption, a period where the markets for stocks and stock index futures disconnect, with prices spiralling down.

When I use the term "major market disruption," I am not talking about increased volatility per se. Critics have charged that there is no compelling evidence of increased stock market volatility or average price swings, and they may be right. But the focus on average volatility is a red herring. Our concern is extraordinary volatility, violent market freefalls when the pricing relationship between stocks and futures break down; markets in particular stocks experience difficulties in staying open; serious supply-demand imbalances develop; and very large market moves occur in the absence of underlying fundamental information.

The single most important step Congress can take to reduce both the likelihood of major market disruptions and the severity of their consequences is to unify regulation for the "one market." A single regulator would be able to coordinate the key intermarket mechanisms, such as unharmonized margins, disjointed clearance and settlement systems, and uncoordinated circuit-breakers, that disconnect to create or exacerbate major market disruptions. Let me explain why the problem of unharmonized margins is so crucial.

Unharmonized Margins. Federal oversight of margins exists for stocks, but is basically non-existent for stock index futures, resulting in a tremendous disparity in margin levels, with futures margins often dipping to dangerously low levels. As a result, futures traders have the power to concentrate enormous selling pressure on the stock market -- great enough to cause a major market disruption that could -- and in October 1987 nearly did -- tear a hole in the fabric of the financial system. Low futures margins create a direct prudential risk not merely to the futures markets, but to the financial system as a whole. However, since these margins are set by the futures industry, with no day-to-day regulatory oversight, there is no way to harmonize margins between futures and stocks to protect the public. The exposure of the entire financial system to risk mandates federal oversight of margin-setting for stock index futures by a common regulator that can ensure harmonized margins among linked markets. The Federal Reserve Board agrees that there is a need for federal oversight of margins on stock index futures to limit systemic risk. In fact, every other country with important trading in these instruments -- the United Kingdom, Japan, and France -- has a single regulator with responsibility for overseeing margin levels on stocks, stock

options, and stock index futures.

Barriers to Innovation

Regulatory fragmentation is also creating a serious impediment to innovation. This was not always true. In the past, competition between Chicago and New York markets spurred new product development, while the practices of different regulators often promoted diversity, experimentation, and creativity.

But regulatory competition can also cause jurisdictional squabbles, which can strangle innovation. This is precisely what happened to Index Participation Certificates (IPs). One court has interpreted the "exclusivity clause" of the Commodity Exchange Act to require that any non-exempt financial instrument with any degree of "futures" must be traded on a futures exchange and nowhere else. But certain of the new "hybrid" products are not amenable to trading in this manner. The result has been protracted litigation over what constitutes a "future"; an inability to trade in the U.S. markets most suited to the product; and the shifting of business to more hospitable markets overseas. An IPs-like product, for example, now trades in Toronto rather than the United States.

The Administration's Proposal

To remedy these problems, the Administration last spring proposed a bill containing three key provisions. First, it transfers the authority to regulate stock index futures from the CFTC to the SEC. To minimize disruptions to market participants, the SEC would operate under the basic framework of the Commodity Exchange Act, augmented with key enforcement and antifraud provisions from the securities laws.

The CFTC could concentrate its expertise on the more traditional agricultural and financial futures products that have long been the core of its jurisdiction. Indeed, our proposal would have minimal effect on the CFTC because stock index futures represent only 10 percent of the futures volume under CFTC jurisdiction.

Second, the bill gives the SEC oversight authority for margins on stock index futures. The exchanges would still have the flexibility to initiate margin changes, and minimum margin levels would be left to regulatory discretion. This is similar to the SEC's current margin authority over stock options.

Third, the bill modifies the "exclusivity clause" to end legal disputes over what constitutes a "futures contract." Hybrid equity securities like IPs could trade in both the futures markets (under the framework of the Commodity Exchange Act) and

the securities markets (under the securities laws). The CFTC could exempt other financial instruments under certain conditions.

The Compromise Proposal

In response to our bill, a compromise approach between members of the Senate Agriculture Committee and members of the Senate Banking Committee gained momentum in recent months. Although not as comprehensive as our proposal, it would have been a big step forward.

The compromise would have authorized the Federal Reserve, rather than the SEC, to regulate margins on stock index futures, but the Board could immediately allow the futures exchanges to set margins, subject to Board approval, and then, after 2 1/2 years, allow such margins to be subject to CFTC approval. At all times the Board would retain overall responsibility for margin-setting. Because the Fed already has final authority for margins on stocks and stock options, intermarket margin requirements would have been addressed in a consistent manner.

The compromise would also have modified the CFTC's exclusive jurisdiction over futures products to allow hybrid securities products such as IPs to trade either under the futures or the securities regulatory system. It would have granted the CFTC exemptive authority to allow certain new products to trade outside the futures regulatory system, and directed the CFTC to use that power with respect to swap agreements and certain bank certificates of deposit. Finally, it would have directed the SEC and CFTC, in consultation with the Treasury and Federal Reserve, to develop solutions to such intermarket issues as circuit breakers, clearance and settlement systems, cross margining, and intermarket fraud. But as I indicated, these efforts came to nought.

So where does all this leave us? We have succeeded in paving the way for serious consideration of these issues early next year. We must act promptly to complete our work in clarifying the jurisdictions of the CFTC and SEC, because sooner or later events will force Congress to move forward. As the chairman of the Telecommunications and Finance Subcommittee of the House of Representatives' Energy and Commerce Committee has put it, "There is an inevitability to the correctness of the Brady recommendations." In the interest of stability and competitiveness of U.S. financial markets, Congress must resolve this matter next year.

II. Oversight of GSEs

The second topic I would like to discuss briefly this morning is our proposal to enhance the financial safety and

soundness of GSEs, such as Fannie Mae and Freddie Mac. Last spring, the Treasury Department issued a report to Congress, mandated by the thrift legislation (FIRREA), in which we recommended a number of reforms to reduce GSEs' financial risk to the Government and taxpayers.

Chief among these recommendations was that all GSEs be required to obtain a triple-A rating, absent any implicit Government guarantee, from at least two of the nationally recognized rating agencies. A GSE receiving a lower rating would have to submit an acceptable business plan to achieve the triple-A rating within five years or lose its ties to the Federal Government. The budget accord passed by Congress includes certain action-forcing language, under which Congressional committees of jurisdiction over GSEs are expected to produce legislation by September 15, 1991 "to ensure the financial soundness of GSEs and to minimize the possibility that a GSE might require future assistance from the Government."

The GSEs as a group had, as of June 1990, borrowed or guaranteed \$917 billion. The market views these securities as being implicitly guaranteed by the U.S. Government and they therefore trade at better than triple-A rates. Yet several of the GSEs, including the largest, have anything but a triple-A rating. Take for example Fannie Mae, the largest of the GSEs, which incidentally (but not surprisingly) strongly opposed our proposals. Fannie Mae's equity capital is less than 1% of its on- and off-balance sheet assets. Many people have suggested that Fannie Mae looks very much like a savings and loan because it holds or guarantees mortgages. Well, if Fannie Mae were an S&L, the Office of Thrift Supervision would likely already have it on a short leash and would have required it to file a business plan setting out a timetable for reaching a full level of capital.

Fannie Mae, in statements this year, some in response to our study, has admitted that it needs to raise more capital and has committed itself to do so. But its recent decision to authorize the repurchase of approximately \$500 million of its own equity and equity warrants makes this commitment to build capital appear quite cynical. Repurchasing stock is not the way to build capital. It is not the way to increase the safety and soundness of an undercapitalized financial institution.

Fannie Mae has also suggested that homeowners, the intended beneficiaries of Congress' mandate to this GSE, will suffer if it is required to raise enough capital to obtain triple-A status absent the Government's guarantee. It is not at all clear that any group would be hurt by upgrading Fannie Mae's financial condition. Borrowing costs should not increase, so it is hard to see how homeowners will be hurt. If there is any group which might suffer, it could be the shareholders, whose equity position

would experience some dilution. But dilution would hardly leave the shareholders in great distress. Return on equity has been in the 30-35% range recently. And prior to the stock market decline which began about mid-year, the return for a shareholder averaged over 100% per year during the last five years. Some reduction in rate of return would leave Fannie Mae still a most attractive investment.

While none of the GSEs is in precarious financial condition today, a prolonged slowdown in the economy, and particularly weakness in the housing market, could pose serious dangers for one or more GSEs. The thrift industry catastrophe has placed on the Government's shoulders the responsibility to make certain that taxpayers are not called on to rescue another industry. Asking the GSEs to improve their financial condition, especially in the current economic environment, is not asking too much.

Conclusion

In conclusion, let me simply stress that these two safety and soundness issues -- volatility in the financial markets and oversight of GSEs -- will not go away. We will put them before Congress again next year. We hope Congress will not again put off action.

AUCTION
RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
November 5, 1990

DEPT. OF THE TREASURY CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for \$9,839 million of 13-week bills to be issued on November 8, 1990 and mature on February 7, 1991 were accepted today (CUSIP: 912794VU5).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	7.05%	7.28%	98.218
High	7.07%	7.30%	98.213
Average	7.07%	7.30%	98.213

Tenders at the high discount rate were allotted 79%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	47,025	47,025
New York	32,307,520	7,966,460
Philadelphia	28,845	28,845
Cleveland	53,655	53,655
Richmond	113,105	62,055
Atlanta	34,280	31,060
Chicago	2,055,240	330,690
St. Louis	32,340	16,290
Minneapolis	10,735	10,735
Kansas City	39,460	39,460
Dallas	28,165	28,165
San Francisco	890,260	426,000
Treasury	798,910	798,910
TOTALS	\$36,439,540	\$9,839,350
<u>Type</u>		
Competitive	\$31,857,095	\$5,256,905
Noncompetitive	1,744,295	1,744,295
Subtotal, Public	\$33,601,390	\$7,001,200
Federal Reserve	2,339,015	2,339,015
Foreign Official Institutions	499,135	499,135
TOTALS	\$36,439,540	\$9,839,350

An additional \$128,165 thousand of bills will be issued to foreign official institutions for new cash.

AUCTION RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE DEPT. OF THE TREASURY CONTACT: Office of Financing
November 5, 1990 202-376-4350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for \$9,818 million of 26-week bills to be issued on November 8, 1990 and mature on May 9, 1991 were accepted today (CUSIP: 912794WH3).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	7.04%	7.40%	96.441
High	7.06%	7.42%	96.431
Average	7.05%	7.41%	96.436

Tenders at the high discount rate were allotted 15%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	39,630	39,600
New York	27,646,655	8,250,370
Philadelphia	17,230	17,230
Cleveland	43,860	43,860
Richmond	53,085	53,085
Atlanta	32,760	30,910
Chicago	2,393,370	545,870
St. Louis	25,150	19,450
Minneapolis	10,620	10,620
Kansas City	45,450	45,450
Dallas	19,065	19,065
San Francisco	712,610	109,110
Treasury	<u>633,355</u>	<u>633,355</u>
TOTALS	\$31,672,840	\$9,817,975
Type		
Competitive	\$27,197,345	\$5,342,480
Noncompetitive	<u>1,307,230</u>	<u>1,307,230</u>
Subtotal, Public	\$28,504,575	\$6,649,710
Federal Reserve	2,450,000	2,450,000
Foreign Official Institutions	<u>718,265</u>	<u>718,265</u>
TOTALS	\$31,672,840	\$9,817,975

An additional \$184,435 thousand of bills will be issued to foreign official institutions for new cash.

CTION
RESULTS

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PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE DEPT. OF THE TREASURY CONTACT: Office of Financing
November 6, 1990 202-376-4350

RESULTS OF TREASURY'S AUCTION OF 3-YEAR NOTES

Tenders for \$12,602 million of 3-year notes, Series V-1993, to be issued on November 15, 1990 and mature on November 15, 1993 were accepted today (CUSIP: 912827ZM7).

The interest rate on the notes will be 7 3/4%. The range of accepted bids and corresponding prices are as follows:

	<u>Yield</u>	<u>Price</u>
Low	7.78%	99.921
High	7.79%	99.895
Average	7.78%	99.921

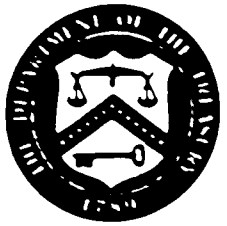
Tenders at the high yield were allotted 13%.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	41,110	41,110
New York	43,994,950	11,880,790
Philadelphia	29,665	29,640
Cleveland	49,945	49,945
Richmond	108,865	55,060
Atlanta	37,605	34,690
Chicago	1,722,580	204,870
St. Louis	62,870	44,860
Minneapolis	28,695	28,195
Kansas City	66,990	64,965
Dallas	18,025	18,025
San Francisco	701,240	51,250
Treasury	<u>98,135</u>	<u>98,110</u>
TOTALS	\$46,960,675	\$12,601,510

The \$12,602 million of accepted tenders includes \$1,031 million of noncompetitive tenders and \$11,571 million of competitive tenders from the public.

In addition, \$1,705 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional \$2,820 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.



TREASURY NEWS

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

November 6, 1990

Contact: Barbara Clay
202/566-2041

The Committee on Foreign Investment in the United States ("CFIUS"), chaired by the Secretary of the Treasury, will continue to receive voluntary notices of mergers, acquisitions, and takeovers of U.S. businesses by foreign persons. This CFIUS function will continue despite the recent lapse of certain sections of the Defense Production Act, including Section 721, known as the Exon-Florio provision.

Persons wishing to file notices with CFIUS should continue to be guided by the proposed regulations published in the Federal Register of July 14, 1989 (54 Fed. Reg. 29744). CFIUS will adhere to the timetable established in the Exon-Florio provision and will advise filers of its findings.

The Exon-Florio provision, which was added to the DPA by the Omnibus Trade and Competitiveness Act of 1988, authorized the President or the President's designee to receive notices of proposed transactions by foreign persons that could result in control of U.S. firms, and to undertake investigations of the effects of these transactions on national security. Under this provision, the President was authorized to take action to prohibit or suspend transactions if he found that:

-- There is credible evidence to believe that the foreign investor might take action that threatens to impair the national security; and

-- Existing laws, other than the International Emergency Economic Powers Act and the Exon-Florio provision, do not provide adequate and appropriate authority to protect the national security.

CFIUS was created by Executive Order 11858 of May 7, 1975, which, among other things, gave CFIUS broad power to review foreign investment in the United States. The members of CFIUS are the Secretaries of Treasury, State, Defense, and Commerce, the Attorney General, the U.S. Trade Representative, the Chairman of the Council of Economic Advisers, and the Director of the Office of Management and Budget.

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR RELEASE AT 3:00 PM
November 6, 1990

Contact: Peter Hollenbach
(202) 376-4302

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR OCTOBER 1990

Treasury's Bureau of the Public Debt announced activity figures for the month of October 1990, of securities within the Separate Trading of Registered Interest and Principal of Securities program. (STRIPS).

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	\$451,060,820
Held in Unstripped Form	\$337,776,650
Held in Stripped Form	\$113,284,170
Reconstituted in October	\$4,571,080

The accompanying table gives a breakdown of STRIPS activity by individual loan description. The balances in this table are subject to audit and subsequent revision. These monthly figures are included in Table VI of the Monthly Statement of the Public Debt, entitled "Holdings of Treasury Securities in Stripped Form." These can also be obtained through a recorded message on (202) 447-9873.

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TABLE VI—HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, OCTOBER 31, 1990
(In thousands)

Loan Description	Maturity Date	Principal Amount Outstanding			Reconstituted This Month ¹
		Total	Portion Held in Unstripped Form	Portion Held in Stripped Form	
11-5/8% Note C-1994	11/15/94	\$6,658,554	\$5,581,354	\$1,067,200	\$24,000
11-1/4% Note A-1995	2/15/95	6,833,861	6,462,021	471,840	12,640
11-1/4% Note B-1995	5/15/95	7,127,066	5,657,646	1,469,440	98,880
10-1/2% Note C-1995	8/15/95	7,955,901	7,293,901	662,000	48,000
9-1/2% Note D-1995	11/15/95	7,318,550	6,508,550	810,000	14,400
8-7/8% Note A-1996	2/15/96	8,575,199	8,343,199	232,000	-0-
7-3/8% Note C-1996	5/15/96	20,065,643	19,871,243	214,400	-0-
7-1/4% Note D-1996	11/15/96	20,258,810	20,023,810	235,000	-0-
8-1/2% Note A-1997	5/15/97	9,921,237	9,848,037	73,200	-0-
8-5/8% Note B-1997	8/15/97	9,362,836	9,330,836	32,000	-0-
8-7/8% Note C-1997	11/15/97	9,808,329	9,782,329	16,000	-0-
8-1/8% Note A-1998	2/15/98	9,159,068	9,156,168	2,880	-0-
9% Note B-1998	5/15/98	9,165,387	9,135,387	30,000	-0-
9-1/4% Note C-1998	8/15/98	11,342,646	11,214,646	128,000	-0-
8-7/8% Note D-1998	11/15/98	9,902,875	9,898,475	4,400	-0-
8-7/8% Note A-1999	2/15/99	9,718,628	9,716,428	3,200	-0-
9-1/8% Note B-1999	5/15/99	10,047,103	9,178,303	868,800	-0-
8% Note C-1999	8/15/99	10,163,644	10,081,644	82,000	-0-
7-7/8% Note D-1999	11/15/99	10,773,960	10,769,160	4,800	-0-
8-1/2% Note A-2000	2/15/00	10,673,033	10,673,033	-0-	-0-
8-7/8% Note B-2000	5/15/00	10,496,230	10,485,030	11,200	-0-
8-3/4% Note C-2000	8/15/00	11,060,656	11,060,656	-0-	-0-
11-5/8% Bond 2004	11/15/04	8,301,806	3,708,206	4,593,600	19,200
12% Bond 2005	5/15/05	4,280,758	1,712,108	2,548,650	32,000
10-3/4% Bond 2005	8/15/05	9,289,713	8,300,113	989,600	81,600
8-3/8% Bond 2006	2/15/06	4,755,916	4,755,916	-0-	-0-
11-3/4% Bond 2006-14	11/15/14	6,005,584	1,524,784	4,480,800	16,000
11-1/4% Bond 2015	2/15/15	12,667,799	2,009,239	10,658,560	20,000
10-5/8% Bond 2015	8/15/15	7,149,916	2,118,556	5,031,360	384,000
9-7/8% Bond 2015	11/15/15	6,899,859	2,234,259	4,665,600	72,000
9-1/4% Bond 2016	2/15/16	7,266,854	6,024,454	1,242,400	207,200
7-1/4% Bond 2016	5/15/16	18,823,551	17,021,151	1,802,400	77,600
7-1/2% Bond 2016	11/15/16	18,864,448	11,827,848	7,036,600	1,088,720
8-3/4% Bond 2017	5/15/17	18,194,169	6,346,369	11,848,800	316,000
8-7/8% Bond 2017	8/15/17	14,016,858	9,143,258	4,873,600	620,800
9-1/8% Bond 2018	5/15/18	8,708,639	3,287,639	5,420,800	118,400
9% Bond 2018	11/15/18	9,032,870	1,806,870	7,226,000	75,000
7/8% Bond 2019	2/15/19	19,250,793	4,855,593	14,395,200	577,600
1-1/8% Bond 2019	8/15/19	20,213,832	10,762,632	9,451,200	575,040
8-1/2% Bond 2020	2/15/20	10,228,666	3,528,666	6,700,000	94,000
8-3/4% Bond 2020	5/15/20	10,158,883	6,240,643	3,918,240	-0-
8-3/4% Bond 2020	8/15/20	10,459,468	10,459,468	-0-	-0-
Total		451,060,820	337,776,650	113,284,170	4,571,080

¹ Effective May 1, 1987, securities held in stripped form were eligible for reconstitution to their unstripped form.

Note: On the 4th workday of each month a recording of Table VI will be available after 3:00 pm. The telephone number is (202) 447-9873. The balances in this table are subject to audit and subsequent adjustments.

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TREASURY NEWS



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

FOR RELEASE AT 4:00 P.M.
November 6, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$20,000 million, to be issued November 15, 1990. This offering will provide about \$2,250 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of \$17,740 million. Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239-1500, Tuesday, November 13, 1990, prior to 12:00 noon for noncompetitive tenders and prior to 1:00 p.m., Eastern Standard time, for competitive tenders. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$10,000 million, representing an additional amount of bills dated February 15, 1990, and to mature February 14, 1991 (CUSIP No. 912794 VV 3), currently outstanding in the amount of \$18,880 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$10,000 million, to be dated November 15, 1990, and to mature May 16, 1991 (CUSIP No. 912794 WJ 9).

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.

The bills will be issued for cash and in exchange for Treasury bills maturing November 15, 1990. Tenders from Federal Reserve Banks for their own account 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. Federal Reserve Banks currently hold \$837 million as agents for foreign and international monetary authorities, and \$4,932 million for their own account. Tenders for bills to be maintained on the book-entry records of the Department of the Treasury should be submitted on Form PD 5176-1 (for 13-week series) or Form PD 5176-2 (for 26-week series).

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 one-half hour prior to the closing time for receipt of tenders 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.

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 the issue date, in cash or other immediately-available funds or in Treasury bills maturing on that date. 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.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76, 27-76, and 2-86, as applicable, 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

DEPT. OF THE TREASURY

FOR IMMEDIATE RELEASE
November 7, 1990

CONTACT: Cheryl Crispen
202/566-5252

TREASURY UPDATES ESTIMATES OF FINANCING REQUIREMENTS

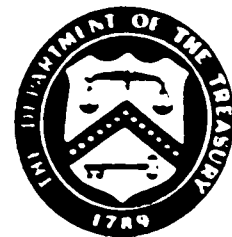
Treasury market borrowing estimates have been revised downward for the October-December 1990 quarter. Treasury estimates that market borrowing will be \$87-1/2 billion during the October-December quarter, with a cash balance of \$30 billion on December 31. As of today, the Treasury has issued or announced a total of \$58-3/4 billion of the \$87-1/2 billion total.

The revised borrowing estimate compares with the \$97-3/4 billion net market borrowing estimate announced by the Treasury in its regular mid-quarter refunding press conference on October 31. The downward revision reflects a shift in the timing of Resolution Trust Corporation expenditures.

The Treasury has not revised its October 31 estimate of net market borrowing needs during the January-March 1991 quarter. The range of \$47 to \$52 billion, with a \$20 billion cash balance on March 31, 1991, did not include any allowance for Resolution Trust Corporation activities.

NB-1025

TREASURY NEWS



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

DEPARTMENT OF THE TREASURY

FOR IMMEDIATE RELEASE
November 7, 1990

Contact: Cheryl Crispen
(202) 566-5252

MONEY LAUNDERING ASSET SHARING WITH THE UNITED KINGDOM

The Department of the Treasury announced today that the United States is sharing \$3 million from assets seized in a money laundering case known as "Operation C-Chase" with the Government of the United Kingdom. The case was jointly investigated by U.S. Customs and H.M. Customs and Excise (British Customs) based upon British participation in the case.

Following a meeting of the G-7 Financial Action Task Force on Money Laundering in Paris, Deputy Secretary of the Treasury, John E. Robson presented a check for \$3 million to Sir Bryan Unwin, Chairman of the Board, H.M. Customs and Excise.

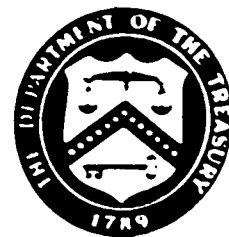
In making the presentation, Deputy Secretary Robson said, "Cooperation between U.S. Customs and British Customs demonstrates the progress countries are making against international drug trafficking and drug money laundering. Just as international money launderers know no national borders, law enforcement authorities must cooperate to eliminate every barrier to international law enforcement."

Operation C-Chase was a major money laundering investigation launched by U.S. Customs in Florida in 1986. Customs agents posing as professional money launderers penetrated several major Colombian money laundering groups. Employees of the Bank of Credit and Commerce International ("BCCI") actively facilitated this money laundering by assisting in concealing the true source and ownership of the funds as they moved through international banking channels.

On January 16, 1990, BCCI pleaded guilty to money laundering and agreed to forfeit over \$15 million of which \$3 million went to the U.K. In the Summer of 1990, five officials of BCCI were convicted of money laundering in federal court in Tampa, Florida, and two officials were convicted in the United Kingdom.

British Customs coordinated approval for U.S. Customs activities in the case in the U.K., obtained and executed search warrants of corporate headquarters of BCCI, and arrested one other official who is awaiting extradition to the U.S.

TREASURY NEWS



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

DEPT. OF THE TREASURY

FOR IMMEDIATE RELEASE
November 6, 1990

Contact: Cheryl Crispen
(202) 566-5252

MONEY LAUNDERING ASSET SHARING WITH FRANCE

The Department of the Treasury announced today that the United States is sharing \$2 million from assets seized in a money laundering case known as "Operation C-Chase" with the Government of France. The case was investigated by U.S. Customs based upon French participation in the case.

Following a meeting of the G-7 Financial Action Task Force on Money Laundering held in Paris on November 5th, Deputy Secretary of the Treasury John E. Robson presented a check for \$2 million to Michel Charasse, Minister of the Budget. The FATF established by the heads of governments at the 1989 Economic Summit in Paris, issued a report in April 1990 which serves as a blueprint for comprehensive domestic programs and international cooperation against money laundering and the drug trafficking it sustains.

In presenting the asset sharing check, Robson said, "This case is an example of how international cooperation in the fight against drug money laundering can result in putting criminals behind bars. Operation C-Chase gave law enforcement new insights into the money laundering techniques and capabilities of the Colombian drug cartels and most importantly established a precedent for close coordination between our two governments in money laundering cases."

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Tomorrow, Deputy Secretary Robson will make a similar presentation to the British Treasury based upon assistance given by British Customs in other aspects of the case.

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE

November 7, 1990

CONTACT: Office of Financing
202-376-4350

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DEPT. OF THE TREASURY

RESULTS OF TREASURY'S AUCTION OF 10-YEAR NOTES

Tenders for \$11,068 million of 10-year notes, Series D-2000, to be issued on November 15, 1990 and mature on November 15, 2000 were accepted today (CUSIP: 912827Z5).

The interest rate on the notes will be 8 1/2%. The range of accepted bids and corresponding prices are as follows:

	<u>Yield</u>	<u>Price</u>
Low	8.50%	100.000
High	8.52%	99.867
Average	8.52%	99.867

\$10,000 was accepted at lower yields.
Tenders at the high yield were allotted 70%.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	24,752	24,752
New York	26,840,879	10,031,529
Philadelphia	9,019	9,019
Cleveland	21,932	21,892
Richmond	74,920	53,995
Atlanta	25,370	25,270
Chicago	1,529,322	783,367
St. Louis	26,255	21,405
Minneapolis	12,342	12,332
Kansas City	29,682	29,682
Dallas	9,652	9,652
San Francisco	486,600	40,295
Treasury	5,140	5,140
TOTALS	\$29,095,865	\$11,068,330

The \$11,068 million of accepted tenders includes \$754 million of noncompetitive tenders and \$10,314 million of competitive tenders from the public.

In addition, \$15 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional \$400 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.

The minimum par amount required for STRIPS is \$400,000. Larger amounts must be in multiples of that amount.



PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
November 8, 1990

DEPT. OF THE TREASURY CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 161-DAY BILLS

Tenders for \$12,032 million of 161-day bills to be issued on November 15, 1990 and mature on April 25, 1991 were accepted today (CUSIP: 912794WF7).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	7.07%	7.40%	96.838
High	7.08%	7.41%	96.834
Average	7.08%	7.41%	96.834

Tenders at the high discount rate were allotted 53%. The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	0	0
New York	36,423,015	11,146,865
Philadelphia	0	0
Cleveland	500	500
Richmond	10	10
Atlanta	2,000	530
Chicago	3,463,225	618,015
St. Louis	0	0
Minneapolis	0	0
Kansas City	3,000	1,000
Dallas	0	0
San Francisco	1,000,000	265,000
Treasury	0	0
TOTALS	\$40,891,750	\$12,031,920
<u>Type</u>		
Competitive	\$40,884,025	\$12,024,195
Noncompetitive	7,725	7,725
Subtotal, Public	\$40,891,750	\$12,031,920
Federal Reserve	0	0
Foreign Official		
Institutions	0	0
TOTALS	\$40,891,750	\$12,031,920

RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
November 8, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 29-YEAR, 9-MONTH BONDS

Tenders for \$10,754 million of 29-year, 9-month bonds to be issued on November 15, 1990 and mature on August 15, 2020 were accepted today (CUSIP: 912810EG9).

The interest rate on the bonds will be 8 3/4%. The range of accepted bids and corresponding prices are as follows:

	<u>Yield</u>	<u>Price</u>
Low	8.69%	100.589
High	8.72%	100.270
Average	8.71%	100.376

Tenders at the high yield were allotted 15%.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	2,124	2,124
New York	20,555,921	10,190,071
Philadelphia	1,592	1,592
Cleveland	2,238	2,236
Richmond	7,246	7,246
Atlanta	3,956	3,936
Chicago	1,138,400	492,585
St. Louis	6,774	6,774
Minneapolis	605	597
Kansas City	7,659	7,659
Dallas	3,530	3,405
San Francisco	349,438	35,428
Treasury	820	820
TOTALS	\$22,080,303	\$10,754,473

The \$10,754 million of accepted tenders includes \$482 million of noncompetitive tenders and \$10,272 million of competitive tenders from the public.

In addition, \$200 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.

The minimum par amount required for STRIPS is \$160,000. Larger amounts must be in multiples of that amount.

Also, accrued interest of \$21.87500 per \$1,000 of par must be paid for the period August 15, 1990 to November 15, 1990.

TREASURY NEWS



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

FOR RELEASE AT 12:00 NOON
November 9, 1990

CONTACT: Office of Financing
(202) 376-4350

TREASURY'S 52-WEEK BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for approximately \$11,750 million of 363-day Treasury bills to be dated November 23, 1990, and to mature November 21, 1991 (CUSIP No. 912794 WW 0). This issue will provide about \$1,975 million of new cash for the Treasury, as the maturing 52-week bill is outstanding in the amount of \$9,783 million. Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239-1500, Thursday, November 15, 1990, prior to 12:00 noon for noncompetitive tenders and prior to 1:00 p.m., Eastern Standard time, for competitive tenders.

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.

The bills will be issued for cash and in exchange for Treasury bills maturing November 23, 1990. In addition to the maturing 52-week bills, there are \$17,684 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 currently hold \$1,362 million as agents for foreign and international monetary authorities, and \$7,821 million for their own account. These amounts represent the combined holdings of such accounts for the three issues of maturing bills. Tenders from Federal Reserve Banks for their own account 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 \$146 million of the original 52-week issue. Tenders for bills to be maintained on the book-entry records of the Department of the Treasury should be submitted on Form PD 5176-3.

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 one-half hour prior to the closing time for receipt of tenders 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.

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 the issue date, in cash or other immediately-available funds or in Treasury bills maturing on that date. 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.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76, 27-76, and 2-86, as applicable, 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.

RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
November 13, 1990

DEPT. OF THE TREASURY

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for \$10,086 million of 13-week bills to be issued on November 15, 1990 and mature on February 14, 1991 were accepted today (CUSIP: 912794VV3).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	7.04%	7.27%	98.220
High	7.05%	7.28%	98.218
Average	7.05%	7.28%	98.218

\$25,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 41%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	43,280	43,280
New York	29,592,210	8,543,675
Philadelphia	26,910	26,910
Cleveland	59,690	59,690
Richmond	60,415	60,415
Atlanta	30,140	28,550
Chicago	1,861,495	204,380
St. Louis	37,115	17,115
Minneapolis	9,270	9,270
Kansas City	42,630	42,630
Dallas	23,370	23,370
San Francisco	1,163,875	139,660
Treasury	887,200	887,200
TOTALS	\$33,837,600	\$10,086,145
<u>Type</u>		
Competitive	\$29,396,175	\$5,644,720
Noncompetitive	1,871,390	1,871,390
Subtotal, Public	\$31,267,565	\$7,516,110
Federal Reserve	2,332,410	2,332,410
Foreign Official Institutions	237,625	237,625
TOTALS	\$33,837,600	\$10,086,145

An additional \$196,075 thousand of bills will be issued to foreign official institutions for new cash.

AUCTION RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
November 13, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for \$10,016 million of 26-week bills to be issued on November 15, 1990 and mature on May 16, 1991 were accepted today (CUSIP: 912794WJ9).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	7.00%	7.36%	96.461
High	7.02%	7.38%	96.451
Average	7.02%	7.38%	96.451

Tenders at the high discount rate were allotted 44%. The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

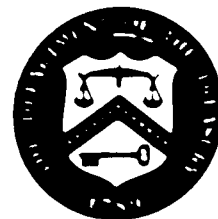
<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	34,300	34,300
New York	26,762,410	8,570,615
Philadelphia	20,165	20,165
Cleveland	45,400	45,400
Richmond	73,695	73,695
Atlanta	36,730	33,110
Chicago	1,667,510	224,110
St. Louis	29,600	20,800
Minneapolis	6,930	6,930
Kansas City	45,675	45,675
Dallas	20,515	20,515
San Francisco	1,025,955	226,340
Treasury	694,010	694,010
TOTALS	\$30,462,895	\$10,015,665

<u>Type</u>	<u>Received</u>	<u>Accepted</u>
Competitive	\$25,888,250	\$5,441,020
Noncompetitive	1,392,870	1,392,870
Subtotal, Public	\$27,281,120	\$6,833,890
Federal Reserve	2,600,000	2,600,000
Foreign Official Institutions	581,775	581,775
TOTALS	\$30,462,895	\$10,015,665

An additional \$502,825 thousand of bills will be issued to foreign official institutions for new cash.

Nov 14 9 00 12 85

TREASURY NEWS



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

FOR RELEASE AT 4:00 P.M.
November 13, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$20,000 million, to be issued November 23, 1990. This offering will provide about \$2,325 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of \$17,684 million. Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239-1500, Monday, November 19, 1990, prior to 12:00 noon for noncompetitive tenders and prior to 1:00 p.m., Eastern Standard time, for competitive tenders. The two series offered are as follows:

90-day bills (to maturity date) for approximately \$10,000 million, representing an additional amount of bills dated August 23, 1990, and to mature February 21, 1991 (CUSIP No. 912794 VW 1), currently outstanding in the amount of \$9,265 million, the additional and original bills to be freely interchangeable.

181-day bills for approximately \$10,000 million, to be dated November 23, 1990, and to mature May 23, 1991 (CUSIP No. 912794 WK 6).

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.

The bills will be issued for cash and in exchange for Treasury bills maturing November 23, 1990. In addition to the maturing 13-week and 26-week bills, there are \$9,783 million of maturing 52-week bills. The disposition of this latter amount was announced last week. Tenders from Federal Reserve Banks for their own account 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 \$1,091 million of the original 13-week and 26-week issues. Federal Reserve Banks currently hold \$1,237 million as agents for foreign and international monetary authorities, and \$7,846 million for their own account. These amounts represent the combined holdings of such accounts for the three issues of maturing bills. Tenders for bills to be maintained on the book-entry records of the Department of the Treasury should be submitted on Form PD 5176-1 (for 13-week series) or Form PD 5176-2 (for 26-week series).

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 one-half hour prior to the closing time for receipt of tenders 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.

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 the issue date, in cash or other immediately-available funds or in Treasury bills maturing on that date. 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.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76, 27-76, and 2-86, as applicable, 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.

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RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
November 15, 1990

CONTACT: Office of Financing
202-376-4350
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RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

DEPT. OF THE TREASURY

Tenders for \$11,878 million of 52-week bills to be issued on November 23, 1990 and mature on November 21, 1991 were accepted today (CUSIP: 912794WW0).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	6.80%	7.27%	93.143
High	6.82%	7.29%	93.123
Average	6.81%	7.28%	93.133

Tenders at the high discount rate were allotted 12%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	20,380	20,380
New York	36,395,575	11,132,375
Philadelphia	17,825	17,825
Cleveland	15,025	15,015
Richmond	20,170	20,170
Atlanta	12,955	11,075
Chicago	1,835,480	326,480
St. Louis	14,420	10,540
Minneapolis	3,245	3,245
Kansas City	21,740	21,740
Dallas	5,815	5,805
San Francisco	1,000,410	69,410
Treasury	224,190	224,190
TOTALS	\$39,587,230	\$11,878,250
Type		
Competitive	\$35,903,820	\$8,194,840
Noncompetitive	537,410	537,410
Subtotal, Public	\$36,441,230	\$8,732,250
Federal Reserve	3,000,000	3,000,000
Foreign Official Institutions	146,000	146,000
TOTALS	\$39,587,230	\$11,878,250

An additional \$584,000 thousand of bills will be issued to foreign official institutions for new cash.

AUCTION RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
November 19, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for \$10,001 million of 13-week bills to be issued on November 23, 1990 and mature on February 21, 1991 were accepted today (CUSIP: 912794VW1).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	7.07%	7.30%	98.233
High	7.08%	7.31%	98.230
Average	7.08%	7.31%	98.230

\$1,240,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 74%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	34,140	34,140
New York	25,763,295	8,329,245
Philadelphia	21,370	21,370
Cleveland	38,230	38,230
Richmond	47,075	47,075
Atlanta	34,735	33,475
Chicago	1,678,565	257,065
St. Louis	34,950	14,950
Minneapolis	9,470	9,470
Kansas City	33,500	33,500
Dallas	23,050	23,050
San Francisco	917,100	288,585
Treasury	870,805	870,805
TOTALS	\$29,506,285	\$10,000,960

<u>Type</u>	<u>Received</u>	<u>Accepted</u>
Competitive	\$25,329,475	\$5,824,150
Noncompetitive	1,677,740	1,677,740
Subtotal, Public	\$27,007,215	\$7,501,890
Federal Reserve	2,329,885	2,329,885
Foreign Official		
Institutions	169,185	169,185
TOTALS	\$29,506,285	\$10,000,960

An additional \$77,615 thousand of bills will be issued to foreign official institutions for new cash.

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
November 19, 1990

NOV 21 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for \$10,043 million of 26-week bills to be issued on November 23, 1990 and mature on May 23, 1991 were accepted today (CUSIP: 912794WK6).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	7.04%	7.40%	96.460
High	7.05%	7.41%	96.455
Average	7.05%	7.41%	96.455

\$10,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 73%.
The investment rate is the equivalent coupon-issue yield.

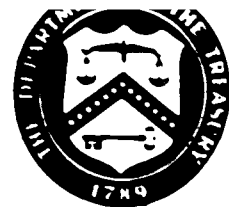
TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	30,985	30,985
New York	23,373,495	8,349,860
Philadelphia	18,260	18,260
Cleveland	36,600	36,600
Richmond	53,400	50,700
Atlanta	25,935	24,665
Chicago	2,106,815	512,475
St. Louis	23,645	15,645
Minneapolis	7,805	7,805
Kansas City	39,905	39,905
Dallas	16,890	16,890
San Francisco	912,785	331,730
Treasury	607,770	607,770
TOTALS	<u>\$27,254,290</u>	<u>\$10,043,290</u>

<u>Type</u>		
Competitive	\$22,586,990	\$5,375,990
Noncompetitive	<u>1,229,085</u>	<u>1,229,085</u>
Subtotal, Public	\$23,816,075	\$6,605,075
Federal Reserve	2,550,000	2,550,000
Foreign Official Institutions	<u>888,215</u>	<u>888,215</u>
TOTALS	<u>\$27,254,290</u>	<u>\$10,043,290</u>

An additional \$404,185 thousand of bills will be issued to foreign official institutions for new cash.

TREASURY NEWS



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

November 19, 1990

HOLLIS S. MCLOUGHLIN
Assistant Secretary of the Treasury (Policy Management)
and Counselor to the Secretary

On May 23, 1989 Hollis Samuel McLoughlin was sworn in as Assistant Secretary of the Treasury (Policy Management). He was confirmed by the United States Senate for this position on May 10, 1989 and appointed by President Bush on May 22, 1989. Mr. McLoughlin also serves as Counselor to the Secretary.

As Assistant Secretary (Policy Management) and Counselor to the Secretary, Mr. McLoughlin serves as the Senior Advisor to the Secretary and overseer of the Executive Secretariat. He identifies and manages policies covering the full range of the Department's activities and coordinates departmental policies with the White House and other executive branch departments.

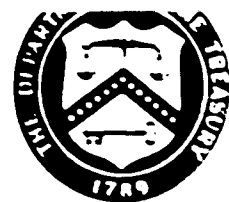
Prior to joining the Department, Mr. McLoughlin was Managing Director of the Taggart Group. Previously, he was an Executive of Purolator Courier Corporation, most recently as Senior Vice-President; Chief of Staff for then U.S. Senator Nicholas F. Brady; and Administrative Assistant to Congresswoman Millicent Fenwick. His prior business experience was as an Account Executive with Benton Bowles; and Associate with William Sword & Co.

Mr. McLoughlin received his B.A. in 1972 from Harvard College. He was born July 4, 1950 to John Thomas and Harriette Hollis McLoughlin of Princeton, New Jersey. He is a permanent resident of Summit, New Jersey, and currently lives in Washington, D.C. with his wife, Caroline Bickel McLoughlin and their daughter, Caroline.

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NB-295A

TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-204

TEXT AS DELIVERED

Remarks by
The Honorable Nicholas F. Brady
Secretary of the Treasury
before the
New York Chapter, Arthritis Foundation
Founders' Award Dinner
New York, New York
November 20, 1990

Thank you, Bill (Todd, Chairman, New York Chapter). And special thanks to John Birkelund and Mike Blumenthal, who put this evening together. Also many thanks to Ross Alfieri, who has worked so hard as President of the New York Chapter.

I am proud and honored to receive the Founders' Award from you tonight. This is a very special award from an exceptional group of people. Thanks.

The Arthritis Foundation's New York Chapter makes life easier, and less painful, for millions of Americans and people throughout the world. Every day, arthritis sufferers benefit from the direct results of your contributions, hard work and compassionate understanding for this crippling disease. Very often, the research and technology you support is the difference between pain and comfort.

More than 37 million Americans are affected by arthritis-related diseases. For them, even everyday activities like walking, driving and cooking -- or even holding a pencil -- can be very painful.

And I'm speaking from experience. Last December, I had hip replacement surgery. It was a remarkable operation, and -- thanks to an extraordinary surgeon, Dr. Chit Ranawat, and to Dr. (Charles) Christian and the Hospital for Special Surgery -- I recovered quickly.

And, following a short period, mobility returned. This is important in my line of work. Why, just last week in a game of speed golf with President Bush, I came in second beaten only by two and a half lengths.

anything but the traditional banking activities, mainly lending to individuals and corporate customers. And we left in place a system of laws that effectively prohibited interstate banking. The result was a profitable, relatively safe industry that was protected from competition.

These laws that protected and segmented the industry reflect the reality of a half-century ago. In that era, banks were almost solely responsible for financing business and consumers. They represented the primary means of payment and settlement. Geographically, it was no great handicap for most banks to do intrastate business alone, and it was a great benefit not to have to compete with out-of-state rivals or non-banks. Borrowers looked to local community lenders who understood local markets.

But the last twenty years have simply revolutionized the financial services markets, bringing intense competition to banks and benefits to the consumer. Money market funds with credit card and check-writing privileges now compete directly with traditional bank checking accounts. At the same time, the banks' corporate customers have taken their best business to the securities and commercial paper markets. And individuals increasingly rely on credit extended directly to them by manufacturers and retailers, rather than by banks.

Many of these changes are a result of new technology in information processing across the spectrum of financial institutions. Technology has eaten away at the system of rigid segmentation and protection. It has, in fact, made the financial services industry into one market. In today's world, the automatic teller machine and the 800 number have rendered the restrictions on interstate banking obsolete.

As our banks have faced ever greater competition in their traditional areas, they have had only limited ability to follow their customers as new markets developed. As a result, in an effort to maintain margins, they have found themselves choosing among the more risky and often less attractive kinds of lending - such as commercial real estate and loans to highly leveraged companies. The result is a system with too much risk and too little profit.

Moreover, the deposit insurance "safety net", by allowing banks to attract funds under Uncle Sam's guarantee, has fostered proliferation of banks and slowed the pace of consolidation. In the United States, we have about 12,500 commercial banks, far more than any of our international competitors. For example, Japan has about 150; the United Kingdom 550; Canada 65; and Germany 900.

There is a hidden message behind the headlines, and it is that it's time to overhaul the system, to address these

virtually all of our major bank holding companies now meet the 1992 worldwide standards for bank capital, established by the Bank for International Settlements. This isn't the case for the banks of a number of our major international competitors.

Perhaps most important, the banks of 1990 are not the S&Ls of the 1980s. They're as different as chalk and cheese. By a wide margin, the banks have more capital, are more profitable and better managed, and have less risky kinds of assets than the S&L industry.

The United States banking system's over \$200 billion in equity represents about 6% of total assets. By comparison, the equity capital of the S&L industry was under \$10 billion and less than 1% of assets in 1987, the year losses mushroomed in that industry. Finally, the Federal bank regulators -- the Federal Reserve, the Office of the Comptroller of the Currency, and the FDIC -- are a highly respected group with a solid tradition of professionalism and concern for safety and soundness.

The current situation needs to be analyzed with balance, and also with the benefit of historical perspective. From that viewpoint, our current difficulties reflect a mixture of both cyclical and structural problems.

Part of what is going on now is the business cycle. Many economists say that we are now entering the down phase of the cycle. Commercial real estate markets are overbuilt, and we've had a sharp, temporary increase in the price of oil. Although some industries and regions remain strong, the economy is weakening. In banking, the correction appears to be a particularly sharp one, in part because it follows a lengthy expansion during which the traditional lending standards applied by many banks clearly eroded. Despite all of that, we have weathered this kind of storm before, and we will weather this one as well.

In addition to the cyclical downturn, there is an underlying structural problem that exacerbates these cyclical downturns. I'm referring to the legal and regulatory structure of our financial system. It is outmoded, burdensome and inefficient. And its flaws are an unseen contributor to the negative headlines we are seeing. We need fundamental structural reform, and, as Secretary of the Treasury, I am committed to this goal. Again, let me provide some history.

In the early 1930s, the banking industry entered a period of convulsive failures that was a major factor in causing the Depression. In response, we erected a rigid system of protection around commercial banking. Banks received a number of special benefits, including the federal deposit insurance safety net. At the same time, banks were also prohibited from engaging in

For our part in the Administration, as I've suggested, we intend to be a strong force for careful but fundamental reform, and for stability in the near term.

Of course, the most important thing that public policy can do to strengthen our financial institutions is to create and maintain an environment of economic stability. In that context, let me say a few words about the recently concluded budget package.

I am mindful that the process was not one of Washington's finest hours. But I am also aware that the final package is one that will do the job of cutting the deficit by \$500 billion over five years. This program is not "smoke and mirrors"; it is very real. In fact, it is primarily because it is so real that the process was so very painful. The package included meaningful reform in the budget process which, among other things, puts binding caps on spending, which is the real key to success over time.

In fact, this package is the major change in fiscal policy that we promised the American people and that the international markets have been looking for. In these circumstances I expect that the essential framework has been laid that should promote renewed and welcome stability in exchange markets. And given the global economic situation, policies that promote stability in the dollar exchange rate are a plus, not just for the United States, but for the world economy at large.

Tonight, I want to leave you with the certainty that this Administration recognizes the importance of a banking system which both inspires confidence and is competitively strong here and abroad. Confidence rests on profitable operations which build financial resources. Competitive strength depends on maintaining lending relationships with credit-worthy customers -- relationships that are a cornerstone of the banking system's traditional franchise.

For its part, this Administration is committed to promoting legislation and encouraging regulation which will allow banks to reshape their activities to operate profitably and soundly in a business environment made new by technological change. And I call on bankers to commit themselves to stick by their credit-worthy customers and not relinquish the franchise built so successfully over many years. I am confident these dual commitments will strengthen our banking system's position as a worldwide leader.

Thank you very much.

underlying structural flaws. There is now a developing consensus in Washington and in the markets -- in fact, all over the world -- that the time has come.

The Treasury understands the need for change, and, as some of you are aware, will come forward with a comprehensive proposal to Congress in less than two months. Our objective is clear: It is to modernize our financial system, through reforms to the deposit insurance safety net and, just as importantly, to change those structural impediments to profitability that have overstayed their welcome.

With the S&L experience fresh in the minds of taxpayers and legislators, the tendency in the current environment will understandably be to focus narrowly on deposit insurance reform, to make sure that banks are safe and sound. But the Administration feels strongly that profitability is a key element of safety and soundness, and that deposit insurance reform should therefore only be considered as part of a package that also addresses the structural flaws that impede profitability.

But most important, we have it in our power to solve the problem. We put these laws on the books; we can and, with Congress' help, we will change them.

Our proposals will be intended to put the entire system on a firmer, more profitable, and thus safer and sounder footing over time. But what about the near term? What can be done about the growing perception that banks are backing away from their fundamental role of meeting the financing needs of American companies, large and small, as well as those of individuals? Here, both the banks and the regulators have a role to play.

Let me offer a word to the banks. I urge you to keep lending to your good customers. I understand the pressures that come from building capital in a softening economy. But let's not overreact to the economy or to the regulators. Your franchise depends upon your continued willingness to stand by your customers. I urge you not to walk away from those whose trust you have worked so hard to earn. And there are many ways to strengthen a balance sheet in addition to shedding loans. I know that it is never easy to cut costs, or even dividends, or to agree to combine with a long-time rival. These are tough solutions to tough problems. But they've got to be faced.

To the regulators, I'd like to say publicly what I've said privately many times: Use some judgment. Apply some balance. Don't use unrealistically negative scenarios in evaluating loans. Don't overreact. Be mindful of the effect your behavior can have on the willingness of banks to take even the reasonable risk of lending to good credits. We need a banking system that is a taker, not a shedder, of such risks.

In a more serious vein, the President believes the Government has an important role in medical research. In fact, President Bush increased funding for the National Institutes of Health by more than 10 percent for 1991, and that includes a \$7 million increase for arthritis-related research.

Our arthritis research dollars go a lot further than they otherwise would thanks to the help of the Arthritis Foundation. For example, NIH and the Arthritis Foundation work closely on genetics research that is producing breakthroughs like the gene discovery Dr. Christian mentioned earlier. This kind of public-private partnership can be effective in achieving important advances in medical research.

If I may, I'd like to change the subject for a few minutes and address some other issues of national concern. As you have been reading in the papers, the President is concerned about the weakening in the economy. In fact, last week he met with groups of business and banking leaders, and with the senior banking regulators, to hear their views. He heard that business is softening, although there are areas of strength; and that banks have tightened their lending standards, for a number of reasons. In that regard, I'd like to spend a few minutes this evening to give you the Treasury's perspective on the current climate, particularly as it relates to this country's financial services industry.

We've all been hearing a steady stream of bad news about financial firms -- big write-offs; sharply declining stock market valuations; excessive concentration in real estate loans; and problems with loans to third world countries and LBOs. Twenty years ago, the United States had eight banks among the top 25 in the world, and ten years ago we had four. Now we've got only one.

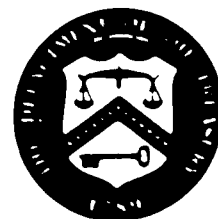
We also hear that the fund that insures deposits in commercial banks is under stress, and that securities firms are retrenching after a period of unusually rapid expansion. At the same time, the S&L cleanup presents a dark backdrop that adds to the developing gloom.

What should we make of all this? Are we taking too great a counsel from our fears?

Before we get too blue, let's make sure that we are looking at this problem with perspective. I'm not going to paint a rosy scenario, but let's not look only at the negatives. Overall, the banking system is healthy despite some pockets of difficulty.

U.S. banks have over \$200 billion in equity capital. And they raised a great deal of equity in the 1980s, despite problem loans in energy, agriculture and the third world, proving that they can build capital even in difficult times. In fact,

TREASURY NEWS



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

PT. OF THE TREASURY

FOR RELEASE AT 4:00 P.M.
November 20, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$20,000 million, to be issued November 29, 1990. This offering will provide about \$2,325 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of \$17,676 million. Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239-1500, Monday, November 26, 1990, prior to 12:00 noon for noncompetitive tenders and prior to 1:00 p.m., Eastern Standard time, for competitive tenders. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$10,000 million, representing an additional amount of bills dated August 30, 1990, and to mature February 28, 1991 (CUSIP No. 912794 VX 9), currently outstanding in the amount of \$8,953 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$10,000 million, to be dated November 29, 1990, and to mature May 30, 1991 (CUSIP No. 912794 WL 4).

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.

The bills will be issued for cash and in exchange for Treasury bills maturing November 29, 1990. Tenders from Federal Reserve Banks for their own account 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. Federal Reserve Banks currently hold \$1,116 million as agents for foreign and international monetary authorities, and \$4,606 million for their own account. Tenders for bills to be maintained on the book-entry records of the Department of the Treasury should be submitted on Form PD 5176-1 (for 13-week series) or Form PD 5176-2 (for 26-week series).

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 one-half hour prior to the closing time for receipt of tenders 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.

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 the issue date, in cash or other immediately-available funds or in Treasury bills maturing on that date. 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.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76, 27-76, and 2-86, as applicable, 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 21, 1990

Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of October 1990.

As indicated in this table, U.S. reserve assets amounted to \$82,852 million at the end of October, up from \$80,024 million in September.

U.S. Reserve Assets (in millions of dollars)

End of Month	Total Reserve Assets	Gold Stock <u>1/</u>	Special Drawing Rights <u>2/3/</u>	Foreign Currencies <u>4/</u>	Reserve Position in IMF <u>2/</u>
<u>1990</u>					
September	80,024	11,063	10,666	49,414	8,881
October	82,852	11,060	10,876	51,850	9,066

1/ Valued at \$42.2222 per fine troy ounce.

2/ Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

3/ Includes allocations of SDRs by the IMF plus transactions in SDRs.

4/ Valued at current market exchange rates.

TREASURY NEWS



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

FOR IMMEDIATE RELEASE
November 21, 1990

CONTACT: Cheryl Crispen
(202) 566-5252

Barry S. Newman
Appointed Deputy Assistant Secretary for
International Monetary Policy

Secretary of the Treasury Nicholas F. Brady today announced the appointment of Barry S. Newman as Deputy Assistant Secretary of the Treasury for International Monetary Policy.

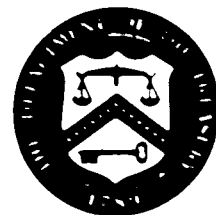
In this position, Mr. Newman will play a key role in developing and implementing U.S. international economic and monetary policies and will focus on U.S. economic and financial relationships with other industrial countries. His responsibilities also will include matters concerning the International Monetary Fund, the operation and evolution of the international monetary system, international banking issues, and foreign exchange operations.

Mr. Newman began his career in Treasury's International Division in 1967. Most recently, he served as advisor to the U.S. Executive Director to the IMF. Prior to this, he was the Director of the Office of International Monetary Policy at the Treasury Department. He has contributed significantly over the years to U.S. international monetary policy, including development and implementation of the economic policy coordination process among industrial countries, U.S. initiatives to strengthen the International Monetary Fund, and the international debt strategy. In recognition of his outstanding contributions, Mr. Newman was the 1989 recipient of the Presidential Rank Award.

Mr. Newman received a B.A. in economics with honors from Ohio Wesleyan University (1964), where he was elected to Phi Beta Kappa, and a M.A. from Syracuse University (1967). He was born January 6, 1943, in New York City. He is married, has two children, and resides in Oakton, Virginia.

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TREASURY NEWS



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

FOR RELEASE AT 12:00 NOON
November 21, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR 2-MONTH NOTES TOTALING \$21,250 MILLION

The Treasury will raise about \$11,150 million of new cash by issuing \$12,250 million of 2-year notes and \$9,000 million of 5-year 2-month notes. This offering will also refund \$10,110 million of 2-year notes maturing November 30, 1990. The \$10,110 million of maturing 2-year notes are those held by the public, including \$705 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities.

The \$21,250 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, Federal Reserve Banks for their own accounts hold \$495 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 each of the new securities are given in the attached highlights of the offerings and in the official offering circulars.

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Attachment

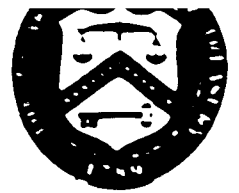
NB-1041

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC
OF 2-YEAR AND 5-YEAR 2-MONTH NOTES

November 21, 1990

<u>Amount Offered to the Public</u> ...	\$12,250 million	\$9,000 million
<u>Description of Security:</u>		
Term and type of security	2-year notes	5-year 2-month notes
Series and CUSIP designation ...	Series AG-1992 (CUSIP No. 912827 ZP 0)	Series J-1996 (CUSIP No. 912827 ZQ 8)
Issue Date	November 30, 1990	December 3, 1990
Maturity date	November 30, 1992	February 15, 1996
Interest Rate	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
Premium or discount	To be determined after auction	To be determined after auction
Interest payment dates	May 31 and November 30	August 15 and February 15 (first payment on August 15, 1991)
Minimum denomination available .	\$5,000	\$1,000
<u>Terms of Sale:</u>		
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 aver- age price up to \$1,000,000	Accepted in full at the aver- age price up to \$1,000,000
Accrued interest payable by investor	None	None
<u>Payment Terms:</u>		
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
<u>Key Dates:</u>		
Receipt of tenders	Tuesday, November 27, 1990	Wednesday, November 28, 1990
a) Noncompetitive	prior to 12:00 noon, EST	prior to 12:00 noon, EST
b) Competitive	prior to 1:00 p.m., EST	prior to 1:00 p.m., EST
Settlement (final payment due from institutions):		
a) Funds immediately available to the Treasury ...	Friday, November 30, 1990	Monday, December 3, 1990
b) Readily-collectible check ...	Wednesday, November 28, 1990	Thursday, November 29, 1990

TREASURY NEWS



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

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FOR IMMEDIATE RELEASE
November 26 1990

DEPT. OF THE TREASURY

CONTACT: CHERYL CRISPEN
(202) 566-2041

UNITED STATES AND THAILAND TO DISCUSS A NEW INCOME TAX TREATY

The Treasury Department announced today that representatives of the United States and Thailand will meet in Washington, January 14-18, 1991, to discuss a possible bilateral income tax treaty. Although there have been prior discussions, most recently in 1984, there is no income tax treaty now in effect between the two countries.

The negotiations will take into account the model income tax treaties published by the Organization for Economic Cooperation and Development, the United Nations, and the U.S. Treasury Department, as well as tax treaties recently concluded by the two countries with other countries, and recent changes in their respective income tax laws.

Income tax treaties provide rules for the taxation of income derived in one of the countries (the "source" country) by residents of the other. They establish when the source country may tax various classes of income and specify maximum rates of tax at source on certain items, such as dividends, interest and royalties. They also provide for administrative cooperation between the tax authorities of the two countries and guarantee non-discriminatory taxation. Treaty benefits are limited to residents of the two countries.

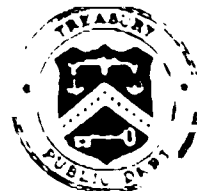
Persons wishing to offer comments or suggestions on the negotiations are invited to write to Philip D. Morrison, International Tax Counsel, Treasury Department, Washington, D.C. 20220.

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NB-1042

RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
November 26, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for \$10,035 million of 13-week bills to be issued on November 29, 1990 and mature on February 28, 1991 were accepted today (CUSIP: 912794VX9).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	7.00%	7.22%	98.231
High	7.02%	7.24%	98.226
Average	7.02%	7.24%	98.226

Tenders at the high discount rate were allotted 45%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	34,790	34,790
New York	26,646,435	8,607,675
Philadelphia	20,095	20,095
Cleveland	43,300	43,300
Richmond	47,270	47,270
Atlanta	29,195	29,195
Chicago	1,628,100	266,850
St. Louis	57,370	21,870
Minneapolis	5,430	5,430
Kansas City	34,605	34,605
Dallas	19,255	19,255
San Francisco	1,000,010	153,760
Treasury	750,895	750,895
TOTALS	\$30,316,750	\$10,034,990
<u>Type</u>		
Competitive	\$26,519,265	\$6,237,505
Noncompetitive	<u>1,513,780</u>	<u>1,513,780</u>
Subtotal, Public	\$28,033,045	\$7,751,285
Federal Reserve	2,205,600	2,205,600
Foreign Official Institutions	<u>78,105</u>	<u>78,105</u>
TOTALS	\$30,316,750	\$10,034,990

An additional \$27,895 thousand of bills will be issued to foreign official institutions for new cash.

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
November 26, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for \$10,083 million of 26-week bills to be issued on November 29, 1990 and mature on May 30, 1991 were accepted today (CUSIP: 912794WL4).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	6.96%	7.31%	96.481
High	6.97%	7.33%	96.476
Average	6.96%	7.31%	96.481

Tenders at the high discount rate were allotted 2%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	24,540	24,540
New York	28,605,335	8,809,670
Philadelphia	22,420	22,420
Cleveland	31,000	31,000
Richmond	42,220	42,220
Atlanta	24,950	24,950
Chicago	2,342,205	303,705
St. Louis	38,490	18,590
Minneapolis	6,065	6,065
Kansas City	49,785	45,235
Dallas	16,475	16,475
San Francisco	808,195	188,695
Treasury	549,090	549,090
TOTALS	\$32,560,770	\$10,082,655

<u>Type</u>		
Competitive	\$28,022,770	\$5,544,655
Noncompetitive	<u>1,100,305</u>	<u>1,100,305</u>
Subtotal, Public	\$29,123,075	\$6,644,960
Federal Reserve	2,400,000	2,400,000
Foreign Official Institutions	<u>1,037,695</u>	<u>1,037,695</u>
TOTALS	\$32,560,770	\$10,082,655

An additional \$368,905 thousand of bills will be issued to foreign official institutions for new cash.

RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

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FOR IMMEDIATE RELEASE
November 27, 1990
U.S. TREASURY

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for \$12,347 million of 2-year notes, Series AG-1992, to be issued on November 30, 1990 and mature on November 30, 1992 were accepted today (CUSIP: 912827ZP0).

The interest rate on the notes will be 7 3/8%. The range of accepted bids and corresponding prices are as follows:

	<u>Yield</u>	<u>Price</u>
Low	7.47%	99.826
High	7.49%	99.790
Average	7.49%	99.790

Tenders at the high yield were allotted 74%.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	59,235	59,235
New York	32,445,490	11,009,810
Philadelphia	37,915	37,915
Cleveland	52,685	52,685
Richmond	73,495	72,185
Atlanta	47,985	42,145
Chicago	1,306,115	432,310
St. Louis	85,715	79,185
Minneapolis	30,310	30,310
Kansas City	83,335	83,330
Dallas	19,225	19,185
San Francisco	743,370	175,460
Treasury	<u>252,775</u>	<u>252,775</u>
TOTALS	\$35,237,650	\$12,346,530

The \$12,347 million of accepted tenders includes \$1,208 million of noncompetitive tenders and \$11,139 million of competitive tenders from the public.

In addition, \$940 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional \$495 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.

TREASURY NEWS



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

FOR RELEASE AT 4:00 P.M. CONTACT: Office of Financing
November 27, 1990 202/376-4350

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$20,000 million, to be issued December 6, 1990. This offering will provide about \$2,125 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of \$17,884 million. Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239-1500, Monday, December 3, 1990, prior to 12:00 noon for noncompetitive tenders and prior to 1:00 p.m., Eastern Standard time, for competitive tenders. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$10,000 million, representing an additional amount of bills dated September 6, 1990, and to mature March 7, 1991 (CUSIP No. 912794 VY 7), currently outstanding in the amount of \$9,252 million, the additional and original bills to be freely interchangeable.

182-day bills (to maturity date) for approximately \$10,000 million, representing an additional amount of bills dated June 7, 1990, and to mature June 6, 1991 (CUSIP No. 912794 WM 2), currently outstanding in the amount of \$10,668 million, the additional and original bills to be freely interchangeable.

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.

The bills will be issued for cash and in exchange for Treasury bills maturing December 6, 1990. Tenders from Federal Reserve Banks for their own account 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. Federal Reserve Banks currently hold \$1,211 million as agents for foreign and international monetary authorities, and \$4,553 million for their own account. Tenders for bills to be maintained on the book-entry records of the Department of the Treasury should be submitted on Form PD 5176-1 (for 13-week series) or Form PD 5176-2 (for 26-week series).

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 one-half hour prior to the closing time for receipt of tenders 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.

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 the issue date, in cash or other immediately-available funds or in Treasury bills maturing on that date. 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.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

Department of the Treasury Circulars, Public Debt Series Nos. 26-76, 27-76, and 2-86, as applicable, 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.

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PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

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DEPT. OF THE TREASURY
CONTACT: Office of Financing
202/376-4350

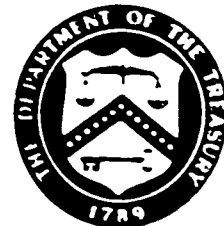
FOR IMMEDIATE RELEASE
November 30, 1990

AMENDED RESULTS OF TREASURY'S 5-YEAR 2-MONTH NOTE AUCTION

The total accepted tenders for the November 28, 1990, auction of 5-year 2-month Treasury notes is amended because the amount of noncompetitive tenders was overstated, as a result of a reporting error. The amount of noncompetitive tenders accepted should have been \$555 million instead of \$835 million. The total amount accepted is reduced to \$8,762 million.

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TREASURY NEWS



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

DEPT. OF THE TREASURY

FOR IMMEDIATE RELEASE
November 28, 1990

CONTACT: Roger Bolton
(202) 566-8191

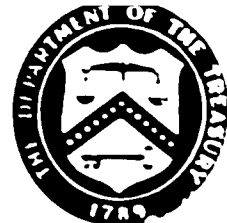
TREASURY TO ISSUE ZERO COUPON BOND TO VENEZUELA

The Treasury Department will issue a zero coupon bond of approximately \$7.5 billion to the Republic of Venezuela for use as collateral to back debt securities Venezuela will issue as part of its recent agreement with its commercial banks.

The price of the Treasury zero coupon bond will be based on the STRIPS rate of the two STRIP securities having maturity dates nearest to the maturity of the Venezuela debt securities (March 31, 2020). That rate will be reduced by a 4.7 basis point accommodation fee which, measured as a percent of funds invested, is the 30-year zero coupon bond equivalent of the 1/8% (12.5 basis point) fee Treasury charges on 30-year special issue coupon securities.

NB-1048

TREASURY NEWS



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

TEXT AS PREPARED
EMBARGOED UNTIL 8:00 am EST,
NOVEMBER 28, 1990

REMARKS BY THE HONORABLE JOHN ROBSON
DEPUTY SECRETARY OF THE TREASURY
NOVEMBER 28, 1990
BUDAPEST, HUNGARY

It is a great pleasure to be back in Budapest. I visited here last February -- just before your first free elections since World War II -- when you were beginning to flex Hungary's new democratic muscles. At that time, you were also in the early stages of another transition -- a transition from nearly five decades of economic stagnation under a centrally controlled economy to a free market system.

Hungary has made considerable progress since then. Your elections and political reforms at all levels of government have been impressive. Democracy is being implemented, and the Hungarian people are, once again, experiencing the challenges and opportunities of a free society.

Progress has also been made in economic reform, and we have already witnessed a number of important changes:

- New laws have been enacted to transform the economy. Today, it is legal to be a private owner, a joint venture investor or a foreign entrepreneur. All were illegal under the old government.
- Investment of foreign capital is increasing. This includes several investments by U.S. firms such General Electric's investment in Hungary's well-known lighting company, Tungshram, and substantial projects by Levi Strauss, Schwinn, Guardian Glass, Intercooperation, and others.
- And, we've seen the beginning of Hungary's capital markets. For example, the Budapest Stock Exchange is under way, and securities regulations are being developed.

These are important accomplishments for Hungary. But there is much more to do. The road to economic reform is not an easy one; there are many bumps and detours still ahead. In the end, the trip will be worth it, because the benefits of a free market economy far outweigh the costs.

For the fact is that a free market economy simply works better for the people and creates a higher standard of living than any other economic system. Let recent history be the judge. In 1948, Hungary was a competitive nation with many international trading partners. Then, the imposition of a centrally controlled economic regime led to stagnation, while her former Western economic partners flourished in a free market.

Today, Hungary's Western neighbors prosper and per capita annual incomes for all Western European nations are at least twice the average income for Hungarians and other East Europeans.

It is time for Hungary to reassert its historical commercial traditions and to, once again, become economically competitive. It is time to establish a free market that offers opportunities for any entrepreneurial individuals to be rewarded for their skill, ambition and hard work, instead of rewards based on political favoritism.

But a free market system is neither tidy nor without risks and hardships. Free markets are fiercely competitive. That means there are winners and losers. New jobs are created, but people also lose their jobs. Firms prosper and grow, and firms go bankrupt. Fortunes can be won, but fortunes can also be lost. And to make the successful transition to a free market system, a nation's people must understand and accept these realities.

Hungary is not alone in undertaking the difficult journey to a free market. There are economic transitions taking place elsewhere in Eastern Europe, in Latin America and in the Pacific. This means many emerging market economies will be competing for a limited amount of outside capital. To succeed in that competition for capital, Hungary must transform herself into a nation where investment will be attracted and entrepreneurial effort will be rewarded. And the decisions and actions that Hungary takes now will determine her ultimate place in the world economic community.

Hungary is a sovereign nation, and neither the United States nor any other country can tell you how to conduct your affairs. So, I'm not here to give orders. I can only offer my best advice. Hungary needs foreign investors, and I've been involved with multinational businesses and free markets long enough to have a pretty good idea of what investors look for.

Investors need clear evidence of economic strength and stability. They seek an economic environment where firms are free to establish prices and wages, where they can earn and keep a profit, and where the forces of supply and demand are permitted to function naturally. Hungary has taken some courageous steps in this direction, but you will need to do more.

Investors will scrutinize a nation's fiscal policies and inflationary trends. They will examine whether the government provides subsidies that support artificial price levels and nourish and protect inefficient enterprises.

To attract capital and credit, trade and investment regimes must be liberalized. Tariffs, quotas and other barriers to free trade should be eliminated. This is also important to your consumers who will benefit from the competitive forces that help keep prices down and quality up.

Investors will also seek markets where the privatization of state enterprises is well along. You cannot keep vast portions of the economy in state ownership and present yourself as a free market economy.

Yes, a vigorous program of privatization can create unemployment, confusion and political controversy. But these can be ameliorated. First, there can be a safety net to help those who are hurt by privatization -- programs to sustain unemployed workers and train them for other productive jobs. And, devices can be found to facilitate broad equity ownership by Hungarians. For example, some countries are considering voucher systems to distribute ownership to local citizens at a modest cost.

And, before privatization can go very far, there must be access to market-oriented capital and credit -- that is, a private banking system and access to capital markets. Hungary has already made a start. However, there must be a well-developed system to mobilize savings and channel resources to new entrepreneurial efforts and to establish firms that are competitive in the new market environment.

The United States is already working with Hungary to develop capital markets. American firms are providing expert advice and assistance. A mission from the Financial Services Volunteer Corps recently made an investigative trip to Hungary, and the Emerging Markets Advisory Committee has provided advice on establishing employee stock ownership plans.

Americans who have visited Hungary on technical assistance missions have returned with one clear message: Hungary needs better banks -- and more of them. Potential investors will be scared off if they confront a financial system with long delays in payment and settlement. I've heard stories of payments in hard currency that take as long as 45 to 60 days to get through the financial system. That's not good enough. The efficiency of your financial institutions is critical -- not only to foreign investors -- but to ordinary citizens and small businesses who need safe, reliable and accessible banks.

Hungary must also create a broad legal infrastructure to accommodate a free market economy. That means not only laws for the privatization of property and state enterprises, but establishing a legal structure in areas such as bankruptcy, anti-monopoly and unemployment compensation -- and creating an impartial court system to decide commercial disputes.

You can also be sure that potential investors and trading partners will carefully evaluate another, perhaps the most critical element of a possible new market -- its human capital. They will be looking for individuals who are well-trained, not only in management, but also in a range of essential disciplines -- accounting, marketing, cash management, distribution, and many others. That is what it will take.

Are these difficult reform measures? Yes. Are they easy to achieve? No. But successful economic reform and Hungary's ability to compete for capital and credit depend on it.

While economic forecasting is a somewhat uncertain science, we can confidently predict that economic reform will create controversy. Some will criticize you for going too fast. Others will criticize you for going too slow. Some will demand government protection from the forces of the free market system. Others will demand that government does not interfere with their economic lives. And many will be reluctant to give up their secure positions of power and privilege achieved under a centrally controlled economy for the uncertainties of the marketplace.

And, in the case of Hungary and other of its neighbors, there will be events outside the country that will complicate your economic reform programs: economic disarray in the Soviet Union; the escalation of world oil prices due to the Gulf Crisis; and the breakup of the CEMA trading system. These are unfortunate and badly timed hardships.

But Hungary must summon the political courage and resolution to press forward with economic reforms. You cannot stay where you are now -- partially free in a new economic regime, yet still burdened with many of the restrictions of the old system. That will bring neither prosperity to the people of Hungary nor new investors and lenders to your borders.

Let me be clear about one thing. The United States is firmly behind your successful conversion to a free market economy. That's why our government is providing technical assistance in many areas, including: tax policy, banking regulation and privatization.

Assistance is coming not only from our government. And I'm proud to say that a number of American companies and business groups have stepped forward to help with expert advice, technical training and capital investment.

There is also the Hungarian-American Enterprise Fund, which has received over 4,000 requests for small business assistance. In September, the Fund announced its first project -- a joint Hungarian-American venture to privatize a chain of office automation stores, and has since made investment or loan commitments for food processing, printing and music recording businesses. The U.S. has committed \$60 million to support the Fund.

The U.S. Government is also working with the International Monetary Fund, the World Bank and other international financial institutions to help Hungary and all of Eastern Europe. Last month, President Bush announced that we have asked the IMF for increased lending to the region by as much as \$5 billion, and the World Bank to accelerate the \$9 billion of lending it has committed for the energy sector in Eastern and Central Europe.

The American people have a deep admiration for Hungarians. For half a century, we have been on the outside looking in -- unable to help Hungary out of its economic stagnation. Now we see the prospect for economic growth and prosperity, and we want you to succeed. And we are doing what we can to facilitate your transition to a market economy that works for all Hungarians. Our goal is to help you improve your standard of living, by establishing a market economy that is internationally competitive.

Last month, the United States was honored by the visit of Prime Minister Antall. He received a real American welcome in Washington, and President Bush heralded Hungary for reclaiming "its natural place as a valued member of the commonwealth of free nations."

Today, self-determination is a reality in Hungary. Political success and future economic growth are in the hands of the Hungarian people.

Good luck to all of you involved in these tremendous reform efforts. We are confident that Hungary will succeed in building a thriving free market, and we look forward to working with you in attaining our mutual goals.

Thank you.

RESULTS



PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
November 28, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR, 2-MONTH NOTES

Tenders for \$9,041 million of 5-year, 2-month notes, Series J-1996, to be issued on December 3, 1990 and mature on February 15, 1996 were accepted today (CUSIP: 912827ZQ8).

The interest rate on the notes will be 7 7/8%. The range of accepted bids and corresponding prices are as follows:

	<u>Yield</u>	<u>Price</u>
Low	7.93%	99.710
High	7.95%	99.626
Average	7.95%	99.626

\$35,000 was accepted at lower yields.
Tenders at the high yield were allotted 76%.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	30,441	30,441
New York	20,705,508	8,214,292
Philadelphia	20,730	20,730
Cleveland	30,628	30,628
Richmond	38,017	31,657
Atlanta	18,187	17,947
Chicago	1,301,653	260,123
St. Louis	25,432	20,842
Minneapolis	10,253	10,253
Kansas City	21,943	21,938
Dallas	7,425	7,425
San Francisco	493,240	91,790
Treasury	283,289	283,269
TOTALS	\$22,986,746	\$9,041,335

The \$9,041 million of accepted tenders includes \$835 million of noncompetitive tenders and \$8,206 million of competitive tenders from the public.

In addition, \$265 million of tenders was also awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities.

NOV 29 1990

FOR IMMEDIATE RELEASE

November 29, 1990

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FEDERAL FINANCING BANK ACTIVITY

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of October 1990.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled \$180.5 billion on October 31, 1990, posting an increase of \$7.2 billion from the level on September 30, 1990. This net change was the result of a decrease in holdings of agency-guaranteed loans of \$7.1 million, while holdings of agency debt increased by \$6,952.0 million and holdings of agency assets increased by \$274.8 million. FFB made 45 disbursements during October.

On October 30, the Tennessee Valley Authority redeemed \$150 million principal amount of 12.095 percent Power Bonds, 1985 Series B.

FFB holdings on October 31, 1990, were the highest in the bank's history.

Attached to this release are tables presenting FFB October loan activity and FFB holdings as of October 31, 1990.

FEDERAL FINANCING BANK

OCTOBER 1990 ACTIVITY

<u>BORROWER</u>	<u>DATE</u>	<u>AMOUNT OF ADVANCE</u>	<u>FINAL MATURITY</u>	<u>INTEREST RATE</u> (semi- annual)	<u>INTEREST RATE</u> (other than semi-annual)
<u>AGENCY DEBT</u>					
<u>NATIONAL CREDIT UNION ADMINISTRATION</u>					
<u>Central Liquidity Facility</u>					
Note #526	10/1	\$ 10,000,000.00	11/27/90	7.590%	
Note #528	10/3	15,000,000.00	12/3/90	7.539%	
+Note #529	10/5	9,600,000.00	1/3/91	7.485%	
+Note #530	10/26	5,000,000.00	11/26/90	7.538%	
Note #531	10/29	10,000,000.00	11/28/90	7.481%	
<u>RESOLUTION TRUST CORPORATION</u>					
<u>Note No. 90-06</u>					
Advance #1	10/1	45,790,000,000.00	1/2/91	7.506%	
Advance #2	10/9	573,000,000.00	1/2/91	7.385%	
Advance #3	10/22	400,000,000.00	1/2/91	7.607%	
Advance #4	10/25	1,050,000,000.00	1/2/91	7.571%	
Advance #5	10/29	350,000,000.00	1/2/91	7.481%	
<u>TENNESSEE VALLEY AUTHORITY</u>					
Short-term Bond #55	10/1	193,000,000.00	10/8/90	7.590%	
Short-term Bond #56	10/8	211,000,000.00	10/15/90	7.485%	
Short-term Bond #57	10/15	207,000,000.00	10/22/90	7.475%	
Short-term Bond #58	10/22	188,000,000.00	10/30/90	7.611%	
Short-term Bond #59	10/30	385,000,000.00	11/6/90	7.481%	
Short-term Bond #60	10/31	62,000,000.00	11/6/90	7.500%	
<u>AGENCY ASSETS</u>					
<u>FARMER'S HOME ADMINISTRATION</u>					
RHIF - CBO #57547	10/1	275,000,000.00	10/1/05	8.984%	9.186% ann.

+rollover

FEDERAL FINANCING BANK

OCTOBER 1990 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi- annual)	INTEREST RATE (other than semi-annual)
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GOVERNMENT - GUARANTEED LOANSNATIONAL AERONAUTICS AND SPACE ADMINISTRATIONSpace Communications Co.

Refinancing Advance	10/1	\$ 1,141,785,960.57	10/1/91	7.815%	7.968% ann.
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RURAL ELECTRIFICATION ADMINISTRATION

*Allegheny Electric #175A	10/1	3,642,527.44	12/31/92	8.185%	8.103% qtr.
*Allegheny Electric #304	10/1	237,217.84	12/31/92	8.186%	8.104% qtr.
*Associated Power #328	10/1	7,658,181.80	12/31/92	8.183%	8.101% qtr.
*Basin Electric #87A	10/1	18,171,428.64	12/31/92	8.185%	8.103% qtr.
*Cajun Electric #197A	10/1	18,131,979.70	12/31/92	8.186%	8.104% qtr.
*Colorado-Ute Electric #8A	10/1	7,083,853.20	1/3/12	8.962%	8.864% qtr.
*Colorado-Ute Electric #78A	10/1	2,275,659.36	12/31/13	8.979%	8.880% qtr.
*Colorado-Ute Electric #78A	10/1	949,703.50	12/31/13	8.979%	8.880% qtr.
*Colorado-Ute Electric #78A	10/1	2,941,025.68	12/31/13	8.979%	8.880% qtr.
*Colorado-Ute Electric #96A	10/1	2,931,230.80	12/31/15	8.994%	8.895% qtr.
*Colorado-Ute Electric #203A	10/1	7,216,276.56	1/3/17	9.001%	8.902% qtr.
*Colorado-Ute Electric #276	10/1	1,599,313.12	1/3/17	9.001%	8.902% qtr.
*Colorado-Ute Electric #297	10/1	6,090,570.80	1/2/18	9.007%	8.908% qtr.
*Colorado-Ute Electric #297	10/1	3,915,965.84	1/2/18	9.007%	8.908% qtr.
*Colorado-Ute Electric #297	10/1	1,225,195.18	1/2/18	9.007%	8.908% qtr.
*KAMD Electric #209A	10/1	3,686,000.00	12/31/92	8.181%	8.099% qtr.
*KAMD Electric #209A	10/1	6,145,000.00	12/31/92	8.181%	8.099% qtr.
*New Hampshire Electric #270	10/1	383,890.71	12/31/92	8.186%	8.104% qtr.
*Old Dominion Electric #267	10/1	2,293,333.36	12/31/92	8.185%	8.103% qtr.
*Sho-Me Power #324	10/1	629,687.48	12/31/92	8.186%	8.104% qtr.
*Tri-State Electric #250	10/1	5,000,000.00	12/31/92	8.191%	8.109% qtr.
*United Power Assoc. #86A	10/1	1,141,363.59	12/31/13	8.926%	8.829% qtr.
*Wabash Valley Power #206	10/1	295,000.00	12/31/18	9.014%	8.915% qtr.
*Wabash Valley Power #206	10/3	186,000.00	12/31/18	8.891%	8.794% qtr.
*United Power Assoc. #212A	10/15	306,000.00	12/31/19	8.976%	8.877% qtr.
Western Illinois Power #294	10/30	1,116,000.00	1/2/18	8.886%	8.789% qtr.

TENNESSEE VALLEY AUTHORITYSeven States Energy Corporation

Note A-90-14	10/31	636,246,431.65	1/31/91	7.512%	
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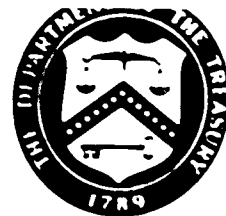
*maturity extension

FEDERAL FINANCING BANK HOLDINGS
(in millions)

<u>Program</u>	<u>October 31, 1990</u>	<u>September 30, 1990</u>	<u>Net Change</u> <u>10/1/90-10/31/90</u>	<u>FY '91 Net Change</u> <u>10/1/90-10/31/90</u>
Agency Debt:				
Export-Import Bank	\$ 11,339.8	\$ 11,339.8	\$ -0-	\$ -0-
NCUA-Central Liquidity Facility	87.3	56.6	30.7	30.7
Resolution Trust Corporation	48,163.0	41,481.7	6,681.3	6,681.3
Tennessee Valley Authority	14,622.0	14,382.0	240.0	240.0
U.S. Postal Service	6,697.8	6,697.8	-0-	-0-
	-----	-----	-----	-----
sub-total*	80,909.9	73,957.9	6,952.0	6,952.0
Agency Assets:				
Farmers Home Administration	52,324.0	52,049.0	275.0	275.0
DHHS-Health Maintenance Org.	69.6	69.6	-0-	-0-
DHHS-Medical Facilities	82.7	82.7	-0-	-0-
Rural Electrification Admin.-CBO	4,407.2	4,407.2	-0-	-0-
Small Business Administration	8.2	8.4	-0.2	-0.2
	-----	-----	-----	-----
sub-total*	56,891.7	56,616.9	274.8	274.8
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	9,747.3	9,755.6	-8.3	-8.3
DEd.-Student Loan Marketing Assn.	4,880.0	4,880.0	-0-	-0-
DHUD-Community Dev. Block Grant	241.0	244.0	-3.0	-3.0
DHUD-Public Housing Notes +	1,950.8	1,950.8	-0-	-0-
General Services Administration +	367.3	367.3	-0-	-0-
DOI-Guam Power Authority	29.7	29.7	-0-	-0-
DOI-Virgin Islands	25.3	25.3	-0-	-0-
NASA-Space Communications Co. +	1,203.2	1,095.9	107.3	107.3
DON-Ship Lease Financing	1,672.4	1,672.4	-0-	-0-
Rural Electrification Administration	18,965.8	19,042.3	-76.5	-76.5
SBA-Small Business Investment Cos.	354.6	382.5	-28.0	-28.0
SBA-State/Local Development Cos.	738.5	741.6	-3.0	-3.0
EVA-Seven States Energy Corp.	2,360.4	2,356.0	4.4	4.4
DOT-Section 511	23.3	23.3	-0-	-0-
DOT-WMATA	177.0	177.0	-0-	-0-
	-----	-----	-----	-----
sub-total*	42,736.6	42,743.7	-7.1	-7.1
	=====	=====	=====	=====
grand total*	\$ 180,538.2	\$ 173,318.5	\$ 7,219.7	\$ 7,219.7

figures may not total due to rounding
does not include capitalized interest

TREASURY NEWS



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

REMARKS BY
JAMES H. FALL, III
DEPUTY ASSISTANT SECRETARY
FOR DEVELOPING NATIONS
U.S. DEPARTMENT OF THE TREASURY
BEFORE THE
U.S. - ROC BUSINESS CONFERENCE
TAIPEI WORLD TRADE CENTER
TAIPEI, TAIWAN
November 15, 1990

It is a pleasure and a privilege to have the opportunity to speak to this a distinguished audience. The relationship between Taiwan and the United States is an important one as we look to the future. We at the Treasury Department are pleased to play a role in this relationship.

It is also a special honor to participate in the annual meetings of the Business Conference. The respective Economic Councils do an outstanding job in organizing the conference and in providing an important forum for dialogue on financial, economic, and commercial issues between Taiwan and the United States.

My deputate in the Treasury Department covers developing nations in Latin America, Africa, and Asia. Many of you may be amazed, as I have been, that Taiwan is included in this area of responsibility, particularly in view of the fact that on a per capita income base, Taiwan has surpassed several economies -- notably in Europe -- that are generally categorized as industrialized countries. It is certainly a somewhat misleading statement on Taiwan's economic status and the global role this country is playing in trading, manufacturing, and finance.

This is my first visit to Taiwan. Although I am familiar with Taiwan's reputation, I am still struck by experiencing first hand the vitality of its economy and society. If the volume of traffic is the standard by which to measure economic well being, then Taiwan surely has one of the world's healthiest economies.

It seems to me that the often mentioned "Taiwan miracle" of strong and sustained economic growth, is really not a miracle at all. There is nothing miraculous about the result of hard work. The people of Taiwan certainly are among the hardest working and most diligent in the world. They are also among the world's most gracious people, as the American guests at this conference well know. It is gratifying to see that the benefits from this hard work have begun to flow back to the people of Taiwan.

The story of Taiwan's success is often told and certainly well known to this audience. At a time when some governments are imposing controls over their economies and financing

inefficient money-losing and subsidy dependent state enterprises, the government of Taiwan was by contrast primarily tightly controlling public expenditures and giving entrepreneurs free rein.

Along with other economies, Taiwan in the past received a significant amount of U.S. aid. As important as this additional financing is or has been to a developing economy, such assistance can only be effective over time when blended with sound underlying policies of the recipient economy. Taiwan serves as the textbook example of how to conduct an aid program, while other countries are forever being studied under the category of "what went wrong."

As a result of Taiwan's economic policies, average annual economic growth has been one of the world's highest over the last 30 years. At the same time, average annual inflation has been among the lowest in the world. Today, this economy's per capita income is one of the highest in Asia. Official foreign exchange reserves are among the largest in the world.

Yet, it appears fashionable in Taiwan to question the longevity of this prosperity. While there is merit in a degree of introspection as the economic climate cools, any doubt about the underlying economic strength of the Taiwanese economy seems a bit misplaced.

I must say, most observers find curiosity in stories from Taiwan about the difficulties wrought by a plummeting of growth from double digits in 1987 to 7 percent in 1988 and 1989. The same is true for the current official downward revisions of growth for this year from 7 percent to 4 percent. There were even recent stories in the Taipei press that characterized the current rate of growth as a "recession." This definition of recession is striking considering that it would likely be the highest rate of growth for any of the G-7 this year.

Through the years of tremendous growth, Taiwan, like all economies, has been buffeted by economic downturns and by oil price fluctuations. It is notable that in Taiwan, these downturns have been both more intense and more brief than in most other economies. There is no reason to believe that the decline in growth this year will be of a different nature. Indeed, it can be reasonably argued that the economy needs a cooling down period. In addition, current levels of growth are more sustainable than those which Taiwan has become accustomed to. Such levels will also not bring with it a resurgence in the assorted problems of excess liquidity, particularly inflation.

Taiwan's economic success is not fading. One should not confuse the current economic slowdown with a diminution of its success. More accurately, the experience is that of a maturing

economy. In fact, many of the certain problems faced by Taiwan today are the result of Taiwan's success -- that is, the large pool of money generated by years of sizable external trade surpluses. At its height in 1987, Taiwan's global trade surplus was equal to more than 20 percent of national product, compared to 4 percent for Japan. This year, it is unlikely that this ratio will fall below eight percent. This sizable pool of money, in turn, is compounded by the lack of diverse investment outlets.

Such difficulties have manifested themselves in the overheating of the stock market, an unprecedented build up in foreign exchange reserves, inflationary pressures, and rising property values to name the most visible. However, just as property prices, stock market values, and the production of lower value-added goods reached unsustainably high levels and have fallen, so they will begin to level out. The control of environmental pollution has also taken on a sense of urgency and is beginning to be addressed. Moreover, given Taiwan's record of achievement, there is solid reason to be confident in its future.

At the same time, future economic success is by no means assured. The path is still a difficult one. It will necessitate continued hard work and a further opening of the economy, especially in the external trade and financial sectors. These factors have been realized by other economies, particularly in Asia. The relaxation of trade barriers and a market-oriented exchange rate policy should help lower the excessive external surpluses. The liberalization and internationalization of the financial sector and relaxation of capital controls should help to address the lack of investment outlets.

The Next Stage

The most important question for Taiwan's economy is, "what next?" Moreover, what will this mean for U.S.-Taiwan economic relations.

Domestic Economy

A remarkable change has taken place in Taiwan over the last couple of years as growth has come mainly from the domestic economy instead of from exports. This mirrors similar changes in Japan and Korea. As in the past, however there are areas of the domestic economy that need to be given more attention. In particular, these include a revival of the major infrastructure projects and more social spending on education, health services, housing, and environmental protection. The privatization of the few state enterprises also would introduce more efficiency into these sectors and broaden domestic investment opportunities. Taiwan has already taken some decisive steps in these areas, much to the credit of current policy makers. Ensuring the completion

of these initiatives should go a long way toward further improvement in the domestic economy.

Trade Liberalization

Taiwan has relied heavily on exports to an open U.S. market and has, hence, accumulated a large trade surplus with the United States. It, therefore, stands to reason that the main outside catalyst for liberalizing Taiwan's domestic market has come from the United States.

As Taiwan continues to diversify its exports, it will also come under increasing pressure from other economies to liberalize its trading practices. Indeed, some of this pressure has already materialized.

The sizable external surpluses that Taiwan has enjoyed confers an obligation on it to assume greater responsibility for contributing to the reduction of the world's external imbalances and promoting a sturdy and expanding world economy. The extent to which Taiwan takes action in this regard, will also strengthen its own economy. Taiwan has an undeniable stake in resolving this problem.

The reduction in Taiwan's external surpluses so far this year is an improvement over last year's performance. The prospect of a continuing downward trend is not clear, however. While we remain optimistic, the size of the external surplus remains a concern.

Exchange Rate Policy

Taiwan has made significant progress in the area of exchange rate appreciation and allowing its rate to be more market-determined. This appreciation has played an important role in reducing external imbalances, and this correction is a welcome development. However, the adjustment process must continue and exchange rate appreciation must continue to play a role in this process. Limitations on capital flows, particularly capital inflows, and on foreign exchange transactions, remain restrictive and impede the full operation of market forces in exchange rate determination. The United States will be following developments in this area closely and we hope that the Taiwanese authorities will do the same.

I have heard there are still fears being voiced by some in Taiwan about the effect of NT dollar appreciation -- although there has been no significant appreciation in almost two years and about the positive aspects of a depreciation of the NT dollar. Taiwan's economy is still on a strong footing, however. Moreover, the major factors influencing the rising cost of production over the past couple of years has not been exchange

rate appreciation, but the considerable rises in wages and property values. Depreciation of the exchange rate would only serve to worsen inflationary pressures at this point. Given Taiwan's need for imported machinery and raw materials for production, as well as the fact that it pays for oil in U.S. dollars, inflation would rise if the NT dollar were devalued. Any potential benefit to exporters from devaluation would likely be negated by this increase in the price of production inputs.

In fact, appreciation has strengthened the prospects for the economy's sustained growth by encouraging a better balance between production for export and for the domestic market. The strengthened NT dollar has also hastened the production of higher quality goods. In this respect, it is important to bear in mind that Taiwan has come under increasing pressure from less developed economies in Asia in the production of lower value-added goods. This is no different than the situation faced most recently by Japan, and before that by the United States, and by Great Britain prior to that.

Internationalization of the Financial Sector

Much has been said about Taiwan's stated goal of becoming a regional financial center. As a matter of fact, just last week, the Finance Minister was quoted as saying that Taiwan can become one of the financial centers of Asia soon. To achieve this goal and to assure that Taiwan's economy picks up its stride, better developed banking and capital markets will be a necessity. I have no doubt that Taiwan can achieve its goals. The difficulties, however, should not be underestimated. There are other economies in Asia with similar ambitions and a willingness to quicken the pace of financial market liberalization and expansion.

The problems Taiwan's financial sector now faces are not particularly unique. Although of small consolation, the financial sectors in the United States and Japan are experiencing some dislocation as well. Irrespective of the stock market fall, the problems in Taiwan's financial markets are virtually unchanged from a year ago. There still exist simultaneously both a narrow range of regulated investment opportunities and an abundance of investment companies willing to offer unreliable advice on both regulated and underground investments. Consequently, there is little protection for the individual investor.

Reliable investment opportunities could be expanded if reputable foreign banks and securities firms were given the same treatment as local institutions. This would raise the quality of the entire financial system. I do not know of a financial center that is not, for the most part, open to internal and outside competition. In Asia, for instance, the continued

strength of Hong Kong as a regional center is due primarily to the equal freedom with which local and foreign financial institutions are able to conduct business. This does not imply that there is less need for prudent regulation. It does mean that these regulations should be applied evenly and provide opportunity for all.

Many in the United States find it unfair that we are willing, and are expected by other economies, to allow open access to our markets while these same economies do not permit us to have equal access to their markets, particularly in products and services in which we have a competitive advantage.

Financial services are a prime example of this imbalance. In the past year, a number of banks from Taiwan have sought and received U.S. government approval to open offices in the United States on an equal footing with U.S. banks. There were no roadblocks or unnecessary delays in their applications. The same cannot, unfortunately, be said for U.S. financial institutions wishing to expand in Taiwan and to be given equality of competitive opportunity with local Taiwan banks. Such a situation, were it reversed, would rightly be seen as unfair by the people of Taiwan. No doubt they would express their displeasure to their legislators, who run the risk of not being returned to office in the next election if they are inattentive to their constituents.

All the same, the Treasury Department correctly argues that financial markets are most efficient when they are open to outside competition. We have, however, come under considerable pressure from Congress and the public to alter this position. Indeed, there is currently broad support in Congress for legislation that would require the Treasury to enter into negotiations with economies deemed to maintain unfair trade practices that restrain the operations and growth of U.S. financial institutions. Such legislation would undoubtedly apply to Taiwan given its current policies.

Relations with Less Developed Economies

Taiwan has made a significant contribution to furthering economic development of less developed countries with the implementation of its International Economic Cooperation Fund. Many of these countries look admiringly to Taiwan not just as a source of financial assistance, but also as a source of experience. Many sincerely want to learn from Taiwan, with the hope of repeating some of the success that it has enjoyed.

It is understandable that the people of Taiwan should be concerned that its hard earned funds be transferred only to those economies which are seriously implementing the same types of policies that Taiwan instituted. Happily there are an increasing

number of examples of these economies, particularly in Central and South America. These countries deserve our assistance, both technically and financially.

The problems faced by poorer countries are not only long-term in nature. There are also more immediate problems. Foremost among these is a heavy overhang of external debt. The debt problem is very relevant to all of us. The debt burden for many of these countries is large enough to cloud hope of a return to solid rates of economic growth. Without a resumption of growth, we cannot reasonably expect these countries to play an active role in world trade nor to continue their hard-fought progress toward political pluralism.

To its credit, Taiwan has recognized the seriousness of this issue and has played an important role in helping address the debt burdens of a number of Central American economies. This assistance has not gone unnoticed by the developing countries of the world nor by the industrial economies that have also played a role in helping to assure a brighter future for these economies.

The people of Taiwan should be proud at sharing their experience and finances with lesser developed economies.

Conclusion

I would like to conclude with two thoughts about the economic relationship between Taiwan and the United States and the consequences of Taiwan's economic success.

First, there are many areas where the economic interests of the United States and Taiwan converge. There are still a number of problems in our economic and trading relationships which must be addressed. With continued cooperation these problems will be resolved in a way that meets our mutual interests. It is, crucial that we move forward to meet our challenges and lay the groundwork for future economic progress within the overall framework that has meant so much to both economies through the years.

Finally, I think it is helpful to bear in mind that success is a mixed blessing. With prosperity comes responsibility. A responsibility to act not just with one's own best interest at heart, but to help ensure a climate worldwide that will foster the further advance of economic wellbeing. To assure that we succeed in reaching this goal we must accept both the responsibility and the obligation to do so.

Taiwan has undoubtedly begun to assume more responsibility. It has exhibited a willingness to make fundamental policy changes. For these reasons, its future is destined to be a bright one and we on the U.S. delegation wish it well.

TREASURY NEWS



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

REMARKS BY
JAMES H. FALL, III
DEPUTY ASSISTANT SECRETARY
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U.S. DEPARTMENT OF THE TREASURY
BEFORE THE
U.S. - ROC BUSINESS CONFERENCE
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TAIPEI, TAIWAN
November 16, 1990

I am pleased to have this opportunity to speak to you on some of the important economic and financial issues the United States and Taiwan face in our bilateral relationships. This discussion group provides a welcome forum for exploring the expanding commercial and financial links between our two countries. In order to foster these ties, it is necessary that we recognize both our achievements and the problems that may cloud those achievements.

The bilateral economic issues have largely been conducted in a manner of cooperation. Indeed, the close economic relationship between us calls for such cooperation. Problems will naturally appear as a result of the broad scope of our economic relations. The crucial challenge is to identify potential problem areas quickly and resolve them with a view toward ensuring the future strength of our solid relationship and of our economies.

Since last year's conference, Taiwan has taken a number of important steps. These measures have broadly included the restructuring of the domestic economy, the further opening of the trading system, the relaxation of exchange rate and capital controls, and the liberalization of the financial market. Now we must focus on the timely and equitable implementation of these measures.

In our discussion today I will focus mostly on the continuing need for Taiwan to take decisive actions to liberalize and internationalize its financial sector. The lack of such action will have the real effect of limiting the restructuring and growth of the economy. I will also review the state of play from our perspective in other areas of the economy that are relevant to economic liberalization.

Economic Situation

Taiwan's outstanding economic performance and the policies underlying this performance are widely recognized and admired. Over the last two decades real GNP growth on an annual basis has averaged roughly nine percent. At the same time, the Central Bank has kept a tight lid on inflation, which has averaged approximately six percent during the same period. These two

indicators in association are most impressive.

Considerable time and energy at the Treasury Department is spent on the various aspects of economics and finance for Latin America. Generally speaking, there have been periods of growth that have been about as high as Taiwan's. Those periods, however, have been far more abbreviated and less consistent. Unfortunately, it is often accompanied or followed by agonizing bouts of inflation. There are signs that this is changing. Nonetheless, countries in the region have some way to go to reach the policy balance achieved in Taiwan. Offhand, it is difficult to think of any economy, except for a smaller one like Singapore, that has managed to balance strong growth with low inflation so well over this same period.

Taiwan is both a major trading force and a net creditor. Its current account surplus was \$1.4 billion last year, still one of the largest in the world. Current foreign exchange reserves of close to \$70 billion are among the largest in the world. This is an indication of the strength of Taiwan's economy, but it is also a point of vulnerability. Resistance to change based on being a small, island economy or fear that the very survival of the economy is forever at stake are no longer credible among Taiwan's trading partners.

It is undeniable that the short-term economic trend has generated worries in Taiwan, as it has for almost all economies. Economic forecasters generally assure this attitude irrespective of economic trends. Even so, as far as we can presently see, the economic slowdown will not be as pronounced as those most associated with the oil shocks of the 1970s. Indeed, as officially projected, growth in Taiwan may turn out to be in the very respectable range of four percent this year. While this is a notable decline from the seven percent growth projected originally for this year and the double digit growth of two years ago, it is solid growth and well above what is anticipated for most economies, large and small.

A crucial factor for Taiwan and other export-dependent economies, is the economic performance of the United States over the near-term. On the positive side, an agreement on our budget for the current fiscal year and for substantial savings for the next five years have been achieved. We may be faced, however, with the reality of a moderation of growth in the near term.

It is open to question how this moderation in U.S. growth will effect Taiwan. Much will depend on how successful Taiwan has been at liberalizing its own economy and diversifying its external trade. There is cause to be optimistic on this account, but Taiwan is still likely to be affected disproportionately due to its continued over-reliance on exports, particularly to the United States.

Taiwan's ongoing reliance on the open U.S. market for its exports and its large trade surplus with the United States have focused the attention of U.S. policy makers on Taiwan's economic practices. It has also prompted some of Taiwan's policy makers to question the wisdom of such a reliance. As a portion of GNP, Taiwan's 1988 exports to the United States amounted to nearly 18 percent. Taiwan's trade surplus with the United States in 1989 was 86 percent of its total trade surplus. This represented a reduction from the 96 percent ratio from the year before. This year, again, our bilateral imbalance with Taiwan will likely be second only to our deficit with Japan.

There is, consequently, the probability that Taiwan will remain in the forefront of pressure from the public and Congress to ensure that our major trading partners compete with us on a level playing field. This is not to say that Taiwan's efforts have not been appreciated. In fact, they have impressed many U.S. legislators and policy makers. For its part, the Administration is still solidly committed to the principle of free trade. We can only be successful in so far as trading partners, like Taiwan, are willing to swiftly lower their barriers to open trade.

The major industrial nations have a clear responsibility for reducing imbalances and maintaining a liberal world trading regime. They recognize that much of their prosperity is owed to the opening of world trade and financial flows following the Second World War. Economic policy coordination has been strengthened among these countries. The U.S. appreciates the need for further action on our part. Both the fiscal and trade deficits continue to be reduced in nominal terms, as well as in proportion to GNP. Further reductions are clearly needed, however.

In addition, the newly industrializing economies of Asia, including Taiwan, also have a significant responsibility to contribute to an orderly reduction of global imbalances. In recent years, the willingness of these economies to do so has increased. It is essential that this willingness show continued progress in firm action.

There is concern that some of the Asian economies may tire of such an obligation. This concern is heightened by the fact that, relative to the major industrialized countries, the adjustment of the NIEs' imbalances is lagging. For example, the decline in the U.S. merchandise trade deficit in the first eight months of this year is primarily the result of the 33 percent or \$12.3 billion fall in our deficit with other industrialized countries. The trade deficit with the four Asian NIEs on the other hand, has fallen by 15 percent or \$2.3 billion so far this year. Our trade deficit

with Taiwan has proportionately declined by even less, that is 13 percent or \$1.2 billion.

Policies for the 1990s

As I noted, Taiwan has taken measures to try to deal with both its unsustainable trade surplus with the United States and the related issue of the structural imbalance in its domestic economy. At the same time, there is still a need for further action by Taiwan in specific areas to enhance our bilateral relationship and to put Taiwan's economy on stronger footing for the 1990s.

1. Domestic Economic Activity

Just as there is an imbalance between U.S. savings and investment so is there an imbalance in many East Asian economies, including Taiwan. In their case, however, it is an excess of savings over investment.

As the U.S. makes further progress in reducing its current account and fiscal deficits, savings and investment will likely replace consumption as the main engine of U.S. growth. Such a development could produce serious new realities for the Asian economies, including Taiwan's. With a bit of simplification, I can foresee two scenarios.

The first scenario would be one in which economies with external surpluses took little or no action to stimulate domestic demand and reduce barriers to trade. These economies would likely suffer a reduction in growth given the reliance of export-oriented strategies on the U.S. market and on the less open nature of other potential trading partners.

Moreover, such a lack of action would frustrate the chance for a process of synergistic economic development in Asia, whereby lesser developed economies would become wealthier by exporting the lower value-added goods formerly produced in the surplus economies. This would, in turn, allow economies such as Taiwan to be able to sell higher value-added goods and machinery to the lesser developed economies.

The second scenario would be one in which economies with substantial surpluses take measures to encourage demand by raising investment in relation to savings, increasing spending on social services and infrastructure, liberalizing the financial sector and foreign exchange controls, and reducing restraints to trade. This, of course, would seem the wisest policy direction to pursue. However, it is by no means assured, given the possible influence of those with vested interests against such changes.

2. Trade and Investment

In the area of trade liberalization, the commitment in the Trade Action Plan to a schedule of tariff cuts is most welcome. The steps taken to improve intellectual property protection also will be helpful in Taiwan's relations with its trading partners and in attracting investors. A number of problems remain for access by certain imports, particularly agricultural goods, and the enforcement of intellectual property rights. We are hopeful, however, that these can be resolved in a spirit of cooperation.

Besides specific actions, genuine trade liberalization requires changing attitudes toward foreign competitors. One of the crucial ingredients in Taiwan's success has been its receptiveness toward foreign investment.

Taiwan enjoys significant amounts of U.S. investment and a has a long-standing policy of welcoming this investment. U.S. investment in Taiwan totalled \$1.9 billion last year. This investment may slow somewhat with any slowing in economic growth in the United States, but should likely continue to be a major force in the economy's shift to higher value-added production.

Until recently, this open attitude toward investment was absent with respect to competition by foreign goods and services in the domestic market. We appreciate, however, the sincere efforts taken by Taiwan in welcoming products and commercial representatives from the United States. The U.S. Government is also making an effort to encourage sales to Taiwan.

Some observers maintain that U.S. businesses have not taken full advantage of opportunities open to them in Taiwan. There is admittedly some truth in this. It is also important to recognize that many American companies that have wanted to sell to Taiwan in the past have experienced numerous obstacles. It will take time and a number of positive experiences to convince American companies that the welcome mat is out. Judging from the growing interest of American companies in this conference, it is apparent that the message is getting through.

3. Exchange Rate Liberalization

The G-7 countries have frequently requested Taiwan and the other Asian NIEs to take greater responsibility for maintaining a free trading system by permitting their currencies to reflect fully the strength of their economies. Moreover, the U.S. Treasury has been instructed by the Congress to report periodically on economies deemed to manipulate their exchange rates for competitive advantage. In past reports, we have concluded that Taiwan, along with Korea, manipulated its currency within the meaning of the Omnibus Trade Bill. In our April report, however, it was our assessment that there are no clear

indications that Taiwan's exchange rate is currently being manipulated. This conclusion was strengthened by the authorities' willingness to allow the exchange rate to appreciate in late 1988 and early 1989 and the ongoing liberalization of the exchange rate system.

Our major purpose in pressing Taiwan to appreciate its undervalued currency and permit its exchange rate to be determined by market forces was to facilitate the adjustment of world trade imbalances. Some progress has been made in this area, and the correction that has taken place is most welcome. However, the adjustment needs to continue and exchange rate appreciation must continue to play a role in the process. Limitations on capital flows, particularly capital inflows, and on foreign exchange transactions, remain restrictive and impede the full operation of market forces in exchange rate determination. The United States will be monitoring the situation carefully, and we hope that the Taiwanese authorities will do the same.

As I emphasized earlier, it is our view that such actions must also be accompanied by trade liberalization and the strengthening of domestic demand if it is to be successful. We do not regard exchange rate action as a panacea for adjustment, but it is an important tool. Most would agree, that the past appreciation of the NT dollar has been an influential factor in the reduction of Taiwan's trade surpluses and the encouragement of production of higher value-added goods.

Irrespective of its effect on international imbalances, the strengthening of the NT dollar has generally benefitted Taiwan's economy. The undervalued currency did not correctly signal producers as to the increasing difficulty that Taiwan would have in exporting lower value-added consumer goods. Inevitably, other economies with lower labor costs would have taken market shares away from Taiwan. The undervalued exchange rate would also stifle an increase in the standard of living as production would have remained more focused on exporting and less on meeting the demands of Taiwan's consumers. Imports would have remained artificially expensive as well.

Even though real GNP growth fell from 12 percent in 1987 to 7 percent in 1988 and 1989, and will probably be close to 4 percent this year, such rates are less likely to lead to an overheating of the economy and are more sustainable. More recent rates of growth would still be the envy of most other economies.

All things considered, we believe that it is necessary for Taiwan's authorities to recognize the continued importance of the exchange rate in furthering the adjustment process. To the extent that actions are delayed in the areas of trade liberalization and the expansion of domestic demand, the burden

of adjustment will fall primarily on the exchange rate.

4. Internationalization of the Financial Sector

Last week, Finance Minister Wang was reported as stating the Taiwan can become one of the financial centers of Asia soon. Given Taiwan's attributes, this goal seems to be a reasonable one. Many of Taiwan's policy makers appear to have come to recognize that to fully benefit from its trading successes and enhance its international competitiveness, it must develop an efficient financial sector. Indeed, the recent movement in Taiwan towards liberalizing the securities and banking laws are a useful foundation on which to build. The next step -- ensuring that these liberalizations are translated into openings that financial institutions can take advantage of -- seems to have proven more difficult for Taiwan.

Despite the recent liberalizations, there is still a widely held view that Taiwan's financial system lags behind its economy as a whole. In fact, the financial sector may well serve as a drag on current growth and may retard the transformation to a more balanced economy with better prospects for sustainable growth.

The advantages of an efficient financial system may be obvious but, nonetheless, are worth stating. It will reduce the cost of capital for local companies. This is particularly important for the many companies that have no access to the formal financial sector. Indeed, many of Taiwan's businessmen have voiced active support for the opening of the financial market to foreign firms for largely this reason.

Increased efficiency of domestic capital mobilization and allocation can also contribute to reducing external imbalances since it will allow sectors of the domestic economy to be able to command the necessary resources for expansion. The growth of domestic capital resources will then permit reduced reliance on exports for growth.

Freedom of activity for foreign financial institutions is essential if Taiwan's financial sector is to reach international or even regional stature. The United States has benefitted from following a policy of national treatment which allows foreign and domestic financial institutions equality of competitive opportunity, or a level playing field, in the United States. Many in Taiwan fear that such an opening would lead to foreign domination. This is unlikely, however. In countries where national treatment is granted, there is still a noticeable preference for local institutions based on familiarity. National treatment should lead to an across-the-board rise in financial practices, forcing local institutions to become more progressive. Without national treatment, domestic financial institutions tend

to be satisfied with the lowest common denominator.

Taiwanese authorities and the Ministry of Finance, in particular, are to be commended for the impressive revision of the banking law and the relaxation of some restrictions for the entry of new foreign banks. We are especially pleased that the revisions permit an expanded scope of activity for foreign banks in savings and trust activities. However, although the banking law was revised in June 1989 and the regulations were released in April, the Ministry of Finance has still not acted on the various applications by foreign banks. I am sure that I speak for many in this room when I say am anxious to see how revision will be applied in practice. It is important that the operating regulations and implementation of the banking law be transparent and fair.

On the whole, foreign banks are still denied national treatment in Taiwan. Discrimination against foreign banks still remain in many areas, particularly on their ability to fund themselves competitively in local currency, the limitations on branching, and the inability to establish subsidiaries.

Foreign securities firms in Taiwan are far from receiving national treatment. In early 1990, the authorities for the first time gave approval for two foreign securities firms to establish branches under strict qualifications. Foreign firms are, otherwise, only permitted limited ownership in securities operations and may not establish subsidiaries nor enter into joint ventures. In addition, Taiwan prohibits the listing of foreign securities on the local market and the offering of securities financing services by foreign firms.

Until currently, Taiwan also forbid direct foreign investment in local securities. Recently, however, Taiwan's SEC announced details of a plan to allow foreign institutional investors to participate in the local stock market. This is the long-awaited second phase of the three-stage plan announced in 1983 to liberalize the stock market. The fine print in this liberalization, unfortunately, may preclude any meaningful increase in foreign participation or the potential for a stabilizing force in the market. Limits were imposed on the aggregate amount of investment by each institutional investor, the permitted investment in each listed company, the offering of custodial business services, the ability to trade securities, and, notably on the movement of investment capital and earnings in and out of Taiwan. A fair could be raised on the intent and purpose of such restrictions.

As in trade, there is a widespread perception in the United States that our openness to foreign financial institutions is mostly a one-way street. In the past year, two highly respected U.S. Senators initiated legislation requiring the Treasury

Department to negotiate with economies that failed to provide national treatment. Failing that, the legislation provides for reciprocal action to be taken against the U.S. operations of institutions headquartered in those economies. This legislation was approved by a Senate/House conference last month.

In addition, the Secretary of the Treasury is required by law to report to Congress by next month on foreign treatment of U.S. financial institutions. The report will contain a chapter on Taiwan for both banking and securities issues. In large measure because of these events, we held formal discussions with the Ministry of Finance on Wednesday to reduce Taiwan's barriers to foreign banks and securities firms.

Foreign institutions can provide useful expertise to Taiwan for modernizing its financial sector. In particular, foreign institutions could be invaluable for upgrading the technology and individual skills that are so critical in this process. We are proud of the record of American firms in training and promoting local citizens in their overseas branches. I believe that there is ample evidence of this in Taiwan.

In the financial business where costs for a good managerial team are high, foreign institutions need to be assured that they will not be subject to the vicissitudes of bureaucrats or the discriminatory interpretation of what on paper appear to be fair regulations. Experience with such activities breeds a skepticism that is hard to dislodge. It is difficult to build regional center in such an atmosphere.

Concluding Remarks

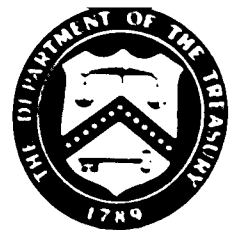
In conclusion, let me say that I believe that recent changes in Taiwan's economic policies bode well both for a more prosperous bilateral relationship and Taiwan's economic well-being. These changes, of course, do not guarantee such results. I think it is worth reiterating that further action in the above areas is necessary. Rigidities and inefficiencies persist in Taiwan's financial system along with continuing inequitable treatment of foreign financial firms. In addition, although Taiwan's trade surplus has improved over the last two years, we should not be overly optimistic that such improvement will continue. We are concerned that without further liberalization on all economic fronts, there is danger of a slowdown in reducing Taiwan's external balances. Such a slowdown would clearly be unfortunate both for the international economic system and for Taiwan's development.

Therefore, it is important for Taiwan to further its efforts toward trade and financial liberalization, to continue its conviction to maintain a more market-oriented exchange rate policy, and to foster policies to promote domestic investment and

consumption. Such policies are crucial for the future health of Taiwan's economy and to move the economy away from excessive dependence on export-led growth. To the extent that this does not occur, the people of Taiwan will be denied the full benefit of economic growth and rises in per capita income levels will not be reflected in similar improvements in the actual standard of living. In a broader sense, these policies are also vital to the reduction of global payments imbalances and the resistance of protectionist pressure in the United States and elsewhere.

Economic history has shown that economies must be willing to make fundamental policy changes as their economies prosper and move up the ladder of development. In the past, Taiwan has undertaken major shifts in policy which proved to be enormously beneficial for its economy. The changes that Taiwan has recently made in a number of important sectors indicate that the economy is becoming more aware of its broadened responsibilities. While the decisions remaining may be difficult in many instances, we are confident that Taiwan's policy-makers will react constructively to the challenges now before them.

TREASURY NEWS



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Remarks by
The Honorable Nicholas F. Brady
Secretary of the Treasury
before the
Annual Convention of the
Securities Industry Association
Boca Raton, Florida
November 30, 1990

This morning I'd like to talk to you about the need for fundamental reform in our financial markets, and about the role of the securities industry in helping to shape that reform. I believe that we need change to help assure a sound economy and to strengthen the worldwide competitive standing of our financial institutions.

Recent developments in the financial services markets clearly indicate that fundamental reforms are needed. The banks are contemplating additional write-offs, especially in the commercial real estate sector. There are lingering concerns with Third World loans. Problems with LBO loans are evident as well. The media carry daily reports that banks are tightening their lending standards, even for good customers, and that the funding of bank deposits is under stress.

Internationally, the league tables tell us that we're down to one commercial bank in the world's top 25. Ten years ago we had four. Ten years before that we had eight.

In the securities industry, profits are way down and layoffs continue. Employment in the industry has already decreased by 20% -- 50,000 jobs -- since 1987.

And the S&L cleanup presents a dark backdrop that adds to the developing gloom.

What should we make of all this? Are we taking too much counsel from our fears?

I'd like to take a few minutes to put the current situation in commercial banking into perspective. I'm not going to paint a rosy scenario, but let's not look only at the negatives. Overall, the commercial banking system is healthy despite some pockets of difficulty.

U.S. banks have over \$200 billion in equity capital and an additional \$50 billion in reserves. And they raised a great deal of equity in the 1980s, despite problem loans in energy, agriculture and the Third World, proving that they can build capital even in difficult times. In fact, virtually all of our major bank holding companies now meet the 1992 worldwide standards for bank capital, established by the Bank for International Settlements. By comparison, that is not the case for the banks of a number of our major international competitors.

Perhaps most important, the banks of 1990 are not the S&Ls of the 1980s. As I've said before, they're as different as chalk and cheese. By a wide margin, the banks have more capital, are more profitable and better managed, and have less risky kinds of assets than the S&L industry.

Our banking system's over \$200 billion in equity represents about 6% of total assets. By comparison, the equity capital of the S&L industry was under \$10 billion and less than 1% of assets in 1987, the year industry losses mushroomed.

Finally, the Federal bank regulators -- the Office of the Comptroller of the Currency, the Federal Reserve and the FDIC -- are a highly respected group with a solid tradition of professionalism and concern for safety and soundness.

So the current situation needs to be analyzed with balance, and also with the benefit of historical perspective. From that viewpoint, our current difficulties reflect a mixture of both cyclical and structural problems.

Part of the problem now is the business cycle. Many economists say that we're now entering the down phase of the cycle. Commercial real estate markets are overbuilt, and we've had a sharp, temporary increase in the price of oil. Although some industries and regions remain strong, the economy is weakening. In commercial banking, the correction appears to be a particularly sharp one, in part because it follows a lengthy expansion during which the traditional lending standards applied by many banks clearly eroded. And in the securities industry, the current difficulties follow a period of unusually rapid expansion.

But we have weathered this kind of storm before, and we will weather this one as well.

However, there is an underlying structural problem that exacerbates these cyclical downturns. I'm referring to the legal and regulatory structure of our financial system. It is outmoded, burdensome and inefficient. And its flaws are an unseen contributor to our financial institutions' current difficulties. We need fundamental structural reform, and, as Secretary of the Treasury, I am committed to this goal.

The last 20 years have completely revolutionized the financial services markets, bringing intense competition to banks and benefits to the consumer. Money market funds with credit card and check-writing privileges now compete directly with traditional bank checking accounts. At the same time, the banks' corporate customers have taken their best business to the securities and commercial paper markets. And individuals increasingly rely on credit extended directly to them by manufacturers and retailers, rather than by banks.

The traditional role of banks is to act as a link between depositors and borrowers. Banks do the credit analysis for depositors who are not able to do it. Over recent decades, rating agencies have grown to perform this same credit analysis function. And the expertise of these rating agencies has made it possible for investment bankers to sell commercial paper, floating rate notes, and bonds, which reduced the importance of the traditional bank lending function.

Many of these changes are a result of new technology in information processing. Technology has eaten away at the system of rigid segmentation and protection. It has made the financial services industry into one market. Today, banks and securities firms sell the same products and services to many of the same customers, often with little regard for geographic boundaries. Merrill Lynch competes with Citicorp. Salomon competes with Bankers Trust. And Morgan Stanley competes with J.P. Morgan.

The geographic limits on domestic banking activities also conflict with the reality of the marketplace. Try to imagine an investment banking firm having to do business through separate corporate entities with separate boards in every state -- Merrill Lynch of New Jersey . . . First Boston of California . . . Paine Webber of Florida. In today's world, the automatic teller machine and the 800 number have rendered the restrictions on interstate activities obsolete.

As our banks have faced ever greater competition in their traditional areas, they have had only limited ability to follow their customers as new markets developed. As a result, in an effort to maintain margins, they have found themselves choosing

among the more risky and often less attractive kinds of lending -
- such as commercial real estate and loans to highly leveraged
companies. The result is a system with too much risk and too
little profit.

Moreover, the deposit insurance "safety net", by allowing
banks to attract funds under Uncle Sam's guarantee, has slowed
the pace of consolidation. In the United States, we have about
12,500 commercial banks, far more than any of our international
competitors. For example, Japan has about 150; the United
Kingdom 550; Canada 65; and Germany 900.

Many, including the SIA, have concluded that it's time to
overhaul the system, to address these underlying structural
flaws. There is now a developing consensus in Washington and in
the markets -- in fact, all over the world -- that the time has
come.

As representatives of the securities industry and as direct
competitors of the banks, you have a unique role to play in this
debate. With that in mind, some may ask what the securities
industry has to gain by cooperating with what some of you may see
as an ongoing attempt by the banks to get into your business.
Or, to put it another way: Why help a competitor?

Let me attempt some answers. First, I believe that it is
clearly in the interests of the securities industry to gain the
ability to offer a full range of financial products. That is
what your customers are coming to expect. And that is what many
of your foreign competitors already offer.

Second, no nation can be a world class competitor without a
world class banking system. Let's face it -- the banking
industry's profitability is an important part of the health of
our financial markets and our whole economy. We need banks that
are strong enough to stand by their customers in bad environments
as well as good ones.

And although their total share of lending is shrinking,
banks are still the largest source of credit overall,
particularly for small and mid-sized companies that do not have
ready access to the securities markets. Banks also represent the
primary clearance and settlement mechanism for payments. In
short, without a healthy commercial banking system, we can't hope
to compete in the 1990s, let alone prosper. A strong financial
system is good for America.

To those of you who may face change with apprehension, I'd
also point out that the securities industry has taken major
regulatory changes in stride before. May 1, 1975 -- May Day --
when fixed commissions on equities were abolished. I remember it
well -- the game was over; the securities industry had no future.

Many firms considered resigning from the New York Stock Exchange. Of course, we were wrong. We changed with the times, and the industry went on to record profitability in the 1980s.

With the SIA's proposal for financial services reform, the securities industry has added its voice to those who seek productive change. The SIA deserves credit for acknowledging that the existing division of our financial markets no longer makes sense.

The Treasury also understands the need for change, and, as you may be aware, we will come forward with a comprehensive proposal in January. I'd like to outline for you some of the principles that will form the foundation of our proposal for modernization of the financial services industry.

First, the Administration feels strongly that issues of deposit insurance reform -- that is, the extent and character of the safety net -- are so closely intertwined with questions of reform of the industry's structure, that it makes no sense to treat them separately.

Reform of deposit insurance will be an important step toward assuring that banks operate safely and soundly. But the Administration also believes that to be safe and sound the banking system must be profitable. For that reason, deposit insurance reform should only be considered as part of a package that also addresses the underlying structural problems of our system.

Second, reform must recognize the reality of the marketplace, which is that the financial services industry has become one market. We must eliminate outmoded barriers to the conduct of financial business that deny this reality and thereby limit the profitability of all financial firms -- banks and securities firms alike. Securities firms and banks should be free to affiliate.

We must also address the geographic restrictions on interstate banking and branching. We are the only modern country that does not permit national banking. It is remarkable that, as the European Community approaches Community-wide financial services, we in the United States are still stuck on the question of whether to permit our banks and securities firms to operate nationwide in an efficient manner.

Third, and of signal importance, we've got to carry out this restructuring in a way that limits, rather than expands, the taxpayers' exposure. In the era of the S&L cleanup, that is the first hurdle that any reform proposal will have to clear. Newly authorized financial activities must take place outside the safety net, and without the benefit of subsidy. We will insist

on strong provisions -- firewalls, so called -- to protect the insured institution and prevent it from subsidizing its affiliates.

The securities industry has always conducted its business -- in good times and bad -- without the benefit of a government safety net or subsidy. This is right and should not change. Subsidies and safety nets distort the allocation of resources and bring the deadening hand of excessive government regulation. The industry gets paid well to take risks that government insured commercial banks should not take. You should want it that way.

Fourth, it goes without saying that, when the Glass-Steagall barrier is lifted, banks and securities firms should find themselves on a level playing field, favoring neither side.

Fifth, I do expect that the reforms we propose will, over time, greatly enhance the profitability, safety and soundness of our banks. However, as mentioned earlier, the fund that insures deposits in commercial banks is under stress. There may be a need to shore up that fund.

The fact is that the Bank Insurance Fund is expected to decline to about \$10 billion at the end of this year, and may well decline further in 1991. The fund needs to be strong enough to permit the FDIC to do its job effectively, and to warrant the confidence of depositors.

The Treasury is evaluating a range of contingency plans that would shore up the Bank Insurance Fund. Any such plan would draw only on banking industry resources to assure the soundness of the fund without imposing a burden on the taxpayer. Responsibility for the fund will be placed squarely on the shoulders of industry. In fact, responsible banking organizations are already coming forward to accept this burden, and I applaud them for doing so.

Next year's debate on financial services reform will surely be an intense one. As that debate approaches, I urge the bankers to stand by their traditional franchise of lending to sound projects and creditworthy customers. Their customers are the foundation blocks of their political strength and public support. It would be a mistake for banks to retire to the sidelines and invest only in short-term marketable securities. To do so would imperil not only our prospects for economic growth, but also the banks' standing with the American people.

And while we're on the subject of credit, I'd like to say publicly what I've said privately to the bank regulators before: Use some judgment. Apply some balance. In evaluating loans, let's not run a competition on pessimism. Don't overreact. Be mindful of the effect your behavior can have on the willingness

of banks to take even the reasonable risk of lending to good credits. We need a banking system that is a taker, not a shedder, of such risks.

For our part in the Administration, we intend to be a strong force for careful but fundamental reform, and for stability in the near term.

While this may be a time of tough sledding for financial firms of all descriptions, we do have the opportunity to find new answers to some of the fundamental questions that have defined our financial landscape. This time, there is a real chance that some of the lines that were set down over 50 years ago may be successfully redrawn.

Today, I want to leave you with the certainty that this Administration is committed to promoting legislation that will allow financial organizations to reshape their activities to operate profitably and soundly in an environment made new by technological change. With your help, we can preserve and strengthen the American financial system as a worldwide leader.

Thank you very much.

4810-25-M

11/2/90
DEPARTMENT OF THE TREASURY
OFFICE OF FOREIGN ASSETS CONTROL

DEPARTMENT OF THE TREASURY
Office of Foreign Assets Control
31 C.F.R. Part 570
Kuwaiti Assets Control Regulations

AGENCY: Office of Foreign Assets Control, Department of
the Treasury

ACTION: Final Rule

SUMMARY: On August 2, 1990, upon Iraq's invasion of Kuwait, the President issued Executive Order No. 12722. In that order he declared a national emergency with respect to Iraq, invoking the authority, inter alia, of the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), ordered specified sanctions against Iraq, and authorized the Secretary of the Treasury, in consultation with the Secretary of State, to take such actions, including the promulgation of rules and regulations, as might be necessary to carry out the purposes of the Order. Pursuant to this declaration of national emergency, the President also issued Executive Order No. 12723, at the request of the recognized Government of Kuwait, blocking all property and interests in property of the Government of Kuwait as a protective measure. On August 9, 1990, the President issued Executive Orders No. 12724 and No. 12725, imposing additional sanctions on Iraq, consistent with Resolution 661, dated

August 6, 1990, of the United Nations Security Council, and imposing similar sanctions on Kuwait to ensure that no benefit from the United States flowed to the Government of Iraq in militarily-occupied Kuwait. In implementation of those Orders, the Treasury Department is issuing the Kuwaiti Assets Control Regulations ("Regulations").

The Regulations block all property and interests in property of the Government of Kuwait or any person purporting to be the Government of Kuwait, its agencies, instrumentalities, and controlled entities, including the Central Bank of Kuwait, that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of U.S. persons, including their overseas branches. The Regulations also generally prohibit: (a) imports into the United States of goods or services from Kuwait; (b) exports from the United States of goods, technology or services to Kuwait or entities operated from Kuwait; (c) any dealing by any U.S. person in Kuwaiti-origin goods or any other goods from Kuwait or intended for Kuwait; (d) transactions by U.S. persons relating to travel by U.S. citizens and permanent resident aliens to Kuwait, including their activities within Kuwait; (e) transactions by U.S. persons relating to transportation to or from Kuwait; transportation services to or from the United States by Kuwaiti persons, vessels, or aircraft; or the sale in the United States by any person holding authority under the Federal Aviation Act of any

transportation by air which includes any stop in Kuwait;
(f) performance by U.S. persons of contracts in support of industrial, commercial, public utility, or governmental projects in Kuwait; and (g) any transfer of funds by U.S. persons to the Government of Kuwait or any person in Kuwait.

EFFECTIVE DATE: [Date of Publication]

FOR FURTHER INFORMATION: Contact William B. Hoffman, Chief Counsel, Tel.: (202) 535-6020, or Steven I. Pinter, Chief of Licensing, Tel.: (202) 535-9449, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C.

SUPPLEMENTARY INFORMATION: All General Licenses issued by the Office of Foreign Assets Control prior to [date of publication] may continue to be relied on to validate actions prior to this date during the period of their validity. Specific licenses issued prior to this date continue in effect according to their terms unless modified by the Office of Foreign Assets Control.

Authorizations contained in General Licenses issued prior to publication of these regulations can now be found in the following sections:

Issuance Date	License Number	Regulation Section
8/02/90	General License No. 1	Amended
8/15/90	General License No. 1, amended	Section 570.504
8/08/90	General License No. 2	Section 570.509

8/08/90	General License No. 3	Amended
10/15/90	General License No. 3, amended	Section 570.512
8/08/90	General License No. 4	Revoked 10/2/90
8/13/90	General License No. 5	Section 570.504
8/15/90	General License No. 6	Section 570.513
8/15/90	General License No. 7,	Amended
10/18/90	General License No. 7, amended	Section 570.510
8/23/90	General License No. 8	Section 570.514
8/27/90	General License No. 9	Section 570.517
8/30/90	General License No.10	Section 570.505
9/01/90	General License No.11	Section 570.508
9/26/90	General License No.12	Section 570.520

Transactions otherwise prohibited under this part may be authorized by a general license contained in Subpart E or by a specific license issued pursuant to the procedures described in Section 570.801 of Subpart H.

Since the Regulations involve a foreign affairs function, the provisions of the Administrative Procedure Act (5 U.S.C. 553), requiring notice of proposed rulemaking, opportunity for public participation, and delay in effective date, are inapplicable. Because no notice of proposed rulemaking is required for this rule, the Regulatory Flexibility Act (5 U.S.C. 601, et seq.) does not apply. Because the Regulations are issued with respect to a foreign affairs function of the United States, they are not subject to Executive Order 12291 of February 17, 1981, dealing with Federal regulations.

These regulations are being issued without prior notice and public procedure pursuant to the Administrative Procedure Act. For this reason, the collections of information contained in these regulations are being submitted to the Office of Management and Budget ("OMB") under the Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.). Comments concerning the collection of information and the accuracy of estimated average annual burden, and suggestions for reducing this burden should be directed to OMB, Paperwork Reduction Project (1505-****), Washington, D.C. 20503, with copies to the Office of Foreign Assets Control, Department of the Treasury, 1500 Pennsylvania Ave., N.W. -- Annex, Washington, D.C. 20220. Any such comments should be submitted not later than [60 days from date of publication]. Notice of OMB action on these requests will be published in the Federal Register.

The collections of information in these regulations are contained in §§ 570.503, 570.509 - 570.512, 570.515, 570.517, 570.518, 570.520, 570.521, Subpart F, and §§ 570.703, and 570.801. This information is required by the Office of Foreign Assets Control for licensing, compliance, civil penalty and enforcement purposes. This information will be used to determine the eligibility of applicants for the benefits provided through specific licenses, to determine whether persons subject to the regulations are in compliance with applicable requirements, and to determine whether and to what extent civil penalty or

other enforcement action is appropriate. The likely respondents and recordkeepers are individuals and business organizations.

Estimated total annual reporting and/or recordkeeping burden: 2000 hours.

The estimated annual burden per respondent/recordkeeper varies from 30 minutes to 10 hours, depending on individual circumstances, with an estimated average of 2 hours.

Estimated number of respondents and/or recordkeepers: 1000.

Estimated annual frequency of responses: 1 - 12.

List of Subjects in 31 CFR Part 570:

Iraq, Kuwait, Banks, Banking, Finance, Blocking of assets, Imports, Exports, Loan Program, Penalties, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, Part 570 is added to 31 CFR Chapter V as follows:

PART 570--KUWAITI ASSETS CONTROL REGULATIONS

AUTHORITY: 50 U.S.C. 1701 et seq.; 50 U.S.C. 1601 et seq.; 22 U.S.C. 287c; Pub. L. 101-513, 104 Stat. 2047-55 (Nov. 5, 1990); 3 U.S.C. 301; E.O. 12722, 55 FR 31803 (Aug.

3, 1990); E.O. 12723, 55 FR 31805 (Aug. 3, 1990); E.O. 12725, 55 FR 33091 (Aug. 13, 1990).

Subpart A -- Relation of this Part to Other Laws and Regulations

Section 570.101 Relation of this part to other laws and regulations.

Subpart B -- Prohibitions

Section 570.201 Prohibited transactions involving property in which the Government of Kuwait has an interest; transactions with respect to securities.

Section 570.202 Effect of transfers violating the provisions of this part.

Section 570.203 Holding of certain types of blocked property in interest-bearing accounts.

Section 570.204 Prohibited importation of goods or services from Kuwait.

Section 570.205 Prohibited exportation and reexportation of goods, technology, or services to Kuwait.

Section 570.206 Prohibited dealing in property.

Section 570.207 Prohibited transactions relating to travel to Kuwait or to activities within Kuwait.

Section 570.208 Prohibited transportation-related transactions involving Kuwait.

Section 570.209 Prohibited performance of contracts.

Section 570.210 Prohibited transfers of funds to the
Government of Kuwait or any person in Kuwait.

Section 570.211 Evasions; attempts; conspiracies.

Section 570.212 Effective date.

Subpart C -- General Definitions

Section 570.301 Blocked account; blocked property.

Section 570.302 Effective date.

Section 570.303 Entity.

Section 570.304 Entity of the Government of Kuwait; Kuwaiti
government entity.

Section 570.305 General license.

Section 570.306 Government of Iraq.

Section 570.307 Government of Kuwait.

Section 570.308 Interest.

Section 570.309 Iraq; Iraqi.

Section 570.310 Kuwait; Kuwaiti.

Section 570.311 Kuwaiti origin.

Section 570.312 Kuwaiti person.

Section 570.313 License.

Section 570.314 Person.

Section 570.315 Property; property interest.

Section 570.316 Specific license.

Section 570.317 Transfer.

Section 570.318 UNSC Resolution 661.

Section 570.319 United States.

Section 570.320 U.S. financial institution.

Section 570.321 United States person; U.S. person.

Subpart D -- Interpretations

Section 570.401 Reference to amended sections.

Section 570.402 Effect of amendment.

Section 570.403 Termination and acquisition of an interest
of the Government of Kuwait.

Section 570.404 Payments from blocked accounts to U.S.
exporters and for other obligations prohibited.

Section 570.405 Acquisition of instruments including
bankers acceptances.

Section 570.406 Extensions of credit or loans to Kuwait.

Section 570.407 Payments in connection with certain
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APPENDIX A TO PART 570--KUWAITI GOVERNMENTAL ENTITIES

Subpart A -- Relation of This Part to Other Laws and
Regulations

Section 570.101 Relation of this part to other laws and
regulations.

(a) This part is separate from, and independent of, the other parts of this chapter. No license or authorization contained in or issued pursuant to those other parts authorizes any transaction prohibited by this part. No license or authorization contained in or issued pursuant to any other provision of law or regulation authorizes any transaction prohibited by this part.

(b) No license or authorization contained in or issued pursuant to this part relieves the involved parties from complying with any other applicable laws or regulations.

Subpart B -- Prohibitions

Section 570.201 Prohibited transactions involving property

in which the Government of Kuwait has an interest;
transactions with respect to securities.

(a) Except as authorized by regulations, rulings, instructions, licenses, or otherwise, no property or interests in property of the Government of Kuwait that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of U.S. persons, including their overseas branches, may be transferred, paid, exported, withdrawn or otherwise dealt in.

(b) Unless otherwise authorized by this part or by a specific license expressly referring to this section, the transfer (including the transfer on the books of any issuer or agent thereof), the endorsement or guaranty of signatures on, or any other dealing in any security (or evidence thereof) registered or inscribed in the name of the Government of Kuwait and held within the possession or control of a U.S. person is prohibited, irrespective of the fact that at any time either at or subsequent to the effective date the registered or inscribed owner thereof may have, or appears to have, assigned, transferred, or otherwise disposed of any such security.

(c) A transfer of property to or from the Government of Kuwait and not involving a U.S. person shall be recognized for purposes of this section if the transfer complied with all applicable United Nations Security Council resolutions

as implemented in the country of transfer as to the property transferred, and was otherwise lawful in the country of transfer.

(d) Example: If a U.S. person acquires a security which had been sold on August 9, 1990, by the Government of Kuwait to a citizen of the United Kingdom, the security would not be considered property in which the Government of Kuwait has an interest if the August 9 transfer was lawful in the United Kingdom. The United Kingdom implemented UNSC Resolution 661 prior to August 9, 1990, with respect to transfers of securities to and from the Government of Kuwait.

Section 570.202 Effect of transfers violating the provisions of this part.

(a) Any transfer after the effective date, which is in violation of any provision of this part or of any regulation, ruling, instruction, license, or other direction or authorization hereunder and involves any property in which the Government of Kuwait has or has had an interest since such date, is null and void and shall not be the basis for the assertion or recognition of any interest in or right, remedy, power or privilege with respect to such property.

(b) No transfer before the effective date shall be the basis for the assertion or recognition of any right, remedy, power, or privilege with respect to, or interest in, any

property in which the Government of Kuwait has an interest, or has had an interest since such date, unless the person with whom such property is held or maintained, prior to such date, had written notice of the transfer or by any written evidence had recognized such transfer.

(c) Unless otherwise provided, an appropriate license or other authorization issued by or pursuant to the direction or authorization of the Director of the Office of Foreign Assets Control before, during, or after a transfer shall validate such transfer or render it enforceable to the same extent that it would be valid or enforceable but for the provisions of the International Emergency Economic Powers Act, the United Nations Participation Act, and this part, and any ruling, order, regulation, direction, or instruction issued hereunder.

(d) Transfers of property which otherwise would be null and void or unenforceable by virtue of the provisions of this section shall not be deemed to be null and void or unenforceable as to any person with whom such property was held or maintained (and as to such person only) in cases in which such person is able to establish to the satisfaction of the Director of the Office of Foreign Assets Control each of the following:

(1) Such transfer did not represent a willful violation of the provisions of this part by the person with whom such property was held or maintained;

(2) The person with whom such property was held or maintained did not have reasonable cause to know or suspect, in view of all the facts and circumstances known or available to such person, that such transfer required a license or authorization by or pursuant to this part and was not so licensed or authorized, or if a license or authorization did purport to cover the transfer, that such license or authorization had been obtained by misrepresentation of a third party or the withholding of material facts or was otherwise fraudulently obtained; and

(3) Promptly upon discovery that

(i) such transfer was in violation of the provisions of this part or any regulation, ruling, instruction, license, or other direction or authorization hereunder, or

(ii) such transfer was not licensed or authorized by the Director of the Office of Foreign Assets Control, or

(iii) if a license did purport to cover the transfer, such license had been obtained by misrepresentation of a third party or the withholding of material facts or was otherwise fraudulently obtained;

the person with whom such property was held or maintained filed with the Office of Foreign Assets Control a report setting forth in full the circumstances relating to such transfer. The filing of a report in accordance with the provisions of this paragraph shall not be deemed evidence that the terms of paragraphs (d)(1) and (2) of this section have been satisfied.

(e) Unless licensed or authorized pursuant to this part, any attachment, judgment, decree, lien, execution, garnishment, or other judicial process is null and void with respect to any property in which, on or since the effective date, there existed an interest of the Government of Kuwait.

Section 570.203 Holding of certain types of blocked property in interest-bearing accounts.

(a) Any person, including a U.S. financial institution, currently holding property subject to § 570.201 which, as of the effective date or the date of receipt if subsequent to the effective date, is not being held in an interest-bearing account, or otherwise invested in a manner authorized by the Office of Foreign Assets Control, must transfer such property to, or hold such property or cause such property to be held in, an interest-bearing account or interest-bearing status in a U.S. financial institution as of the effective date or the date of receipt if subsequent to the effective date of this section, unless otherwise authorized or directed by the Office of Foreign Assets Control. This requirement shall apply to currency and any other financial assets, bank deposits, accounts, and any proceeds resulting from the sale of tangible or intangible property. If interest is credited to an account separate from that in which the interest-bearing asset is held, the name of the account party on both accounts must be the same and must

clearly indicate the blocked Government of Kuwait entity having an interest in the accounts.

(b) For purposes of this section, the term "interest-bearing account" means a blocked account in a U.S. financial institution earning interest at rates that are commercially reasonable for the amount of funds in the account. Except as otherwise authorized, the funds may not be invested or held in instruments the maturity of which exceeds 90 days, unless such investments are readily marketable and are purchased at the direction of the Government of Kuwait.

(c) This section does not apply to blocked tangible property, such as chattels, nor does it create an affirmative obligation on the part of the holder of such blocked tangible property to sell or liquidate the property and put the proceeds in a blocked account. However, the Office of Foreign Assets Control may issue licenses permitting or directing sales of tangible property in appropriate cases.

Section 570.204 Prohibited importation of goods or services from Kuwait.

Except as otherwise authorized, no goods or services of Kuwaiti origin may be imported into the United States, nor may any U.S. person engage in any activity that promotes or is intended to promote such importation.

Section 570.205 Prohibited exportation and reexportation of goods, technology, or services to Kuwait.

Except as otherwise authorized, no goods, technology (including technical data or other information), or services may be exported from the United States, or, if subject to U.S. jurisdiction, exported or reexported from a third country to Kuwait, to any entity owned or controlled by the Government of Kuwait, or to any entity operated from Kuwait, except donated foodstuffs in humanitarian circumstances, and donated supplies intended strictly for medical purposes, the exportation of which has been specifically licensed pursuant to § 570.507, 570.519, 570.520 or 570.521.

Section 570.206 Prohibited dealing in property.

Except as otherwise authorized, no U.S. person may deal in property of Kuwaiti origin exported from Kuwait or Iraq after August 6, 1990, property intended for exportation to Kuwait, or property intended for exportation from Kuwait to any other country, nor may any U.S. person engage in any activity that promotes or is intended to promote such dealing.

Section 570.207 Prohibited transactions relating to travel to Kuwait or to activities within Kuwait.

Except as otherwise authorized, no U.S. person may engage in any transaction relating to travel by any U.S. citizen or permanent resident alien to Kuwait, or to activities by any U.S. citizen or permanent resident alien within Kuwait, or to activities by any U.S. citizen or permanent resident alien within Kuwait, after the effective date, other than transactions:

(a) Necessary to effect the departure of a U.S. citizen or permanent resident alien from Kuwait or Iraq;

(b) Relating to travel and activities for the conduct of the official business of the United States Government or the United Nations; or

(c) Relating to journalistic activity by persons regularly employed in such capacity by a newsgathering organization.

This section prohibits the unauthorized payment by a U.S. person of his or her own travel or living expenses to or within Kuwait.

Section 570.208 Prohibited transportation-related transactions involving Kuwait.

Except as otherwise authorized, the following are prohibited:

(a) Any transaction by a U.S. person relating to transportation to or from Kuwait;

(b) The provision of transportation to or from the United States by any Kuwaiti person or any vessel or aircraft of Kuwaiti registration; or

(c) the sale in the United States by any person holding authority under the Federal Aviation Act of any transportation by air which includes any stop in Kuwait.

(d) Example: Unless licensed or exempted, no U.S. person may insure, or provide ticketing, ground, port, refueling, bunkering, clearance, or freight forwarding services, with respect to any sea, ground, or air transportation the destination of which is Kuwait, or which is intended to make a stop in Kuwait.

Section 570.209 Prohibited performance of contracts.

Except as otherwise authorized, no U.S. person may perform any contract, including a financing contract, in support of an industrial, commercial, public utility, or governmental project in Kuwait.

Section 570.210 Prohibited transfer of funds to the Government of Kuwait or any person in Kuwait.

Except as otherwise authorized, no U.S. person may commit or transfer, directly or indirectly, funds or other financial or economic resources to the Government of Kuwait or any person in Kuwait.

Section 570.211 Evasions; attempts; conspiracies.

Any transaction for the purpose of, or which has the effect of, evading or avoiding, or which facilitates the evasion or avoidance of, any of the prohibitions set forth in this subpart, is hereby prohibited. Any attempt to violate the prohibitions set forth in this part is hereby prohibited. Any conspiracy formed for the purpose of engaging in a transaction prohibited by this part is hereby prohibited.

Section 570.212 Effective date.

The effective dates of the prohibitions and directives contained in this subpart B are as follows:

(a) With respect to §§ 570.201, 574.202, and 570.211, 5:00 a.m., Eastern Daylight Time ("EDT"), August 2, 1990;

(b) With respect to §§ 570.204, 570.205, 570.206, 570.207, 570.208, 570.209, and 570.210, 8:55 p.m. EDT, August 9, 1990; and

(c) With respect to § 570.203, [date of publication].

Subpart C -- General Definitions

Section 570.301 Blocked account; blocked property.

The terms "blocked account" and "blocked property" shall mean any account or property in which the Government of Kuwait has an interest, with respect to which payments, transfers, exportations, withdrawals, or other dealings may not be made or effected except pursuant to an authorization or license authorizing such action.

Section 570.302 Effective date.

The term "effective date" refers to the effective date of the applicable prohibition, as identified in §570.212.

Section 570.303 Entity.

The term "entity" includes a corporation, partnership, association, or other organization.

Section 570.304 Entity of the Government of Kuwait; Kuwaiti Government entity.

The term "entity of the Government of Kuwait" or "Kuwaiti Government entity" includes:

(a) Any corporation, partnership, association, or other entity in which the Government of Kuwait owns a majority or controlling interest, any entity managed or funded by that government, or any entity which is otherwise controlled by that government;

(b) Any agency or instrumentality of the Government of Kuwait, including the Central Bank of Kuwait.

Section 570.305 General license.

The term "general license" means any license or authorization the terms of which are set forth in this part.

Section 570.306 Government of Iraq.

The term "Government of Iraq" includes:

(a) The state and the Government of Iraq, as well as any political subdivision, agency, or instrumentality thereof, including the Central Bank of Iraq;

(b) Any partnership, association, corporation, or other organization substantially owned or controlled by the foregoing;

(c) Any person to the extent that such person is, or has been, or to the extent that there is reasonable cause to believe that such person is, or has been, since the effective date, acting or purporting to act directly or indirectly on behalf of any of the foregoing; and

(d) Any other person or organization determined by the Director of the Office of Foreign Assets Control to be included within this section.

Section 570.307 Government of Kuwait.

The term "Government of Kuwait" includes:

(a) The state and Government of Kuwait and any entity purporting to be the Government of Kuwait, as well as any political subdivision, agency, or instrumentality thereof, including the Central Bank of Kuwait;

(b) Any partnership, association, corporation, or other organization substantially owned or controlled by the foregoing;

(c) Any person to the extent that such person is or has been, or to the extent that there is reasonable cause to believe that such person is or has been, since the effective date, acting or purporting to act directly or indirectly on behalf of any of the foregoing; and

(d) Any other person or organization determined by the Director of the Office of Foreign Assets Control to be included within this section.

Section 570.308 Interest.

Except as otherwise provided in this part, the term "interest" when used with respect to property (e.g., "an interest in property") means an interest of any nature whatsoever, direct or indirect.

Section 570.309 Iraq; Iraqi.

The term "Iraq" means the country of Iraq and any territory under the jurisdiction or authority thereof, legal or illegal. The term "Iraqi" means pertaining to Iraq as defined in this section.

Section 570.310 Kuwait; Kuwaiti.

The term "Kuwait" means the country of Kuwait and any territory under the jurisdiction or authority thereof. The term "Kuwaiti" means pertaining to Kuwait as defined in this section.

Section 570.311 Kuwaiti origin.

The term "goods or services of Kuwaiti origin" includes:

(a) Goods produced, manufactured, grown, or processed within Kuwait;

(b) Goods which have entered into Kuwaiti commerce;

(c) Services performed in Kuwait or by a Kuwaiti national who is acting as an agent, employee, or contractor of the Government of Kuwait, or of a business entity located in Kuwait. Services of Kuwaiti origin are not imported into the United States when such services are provided in the United States by a Kuwaiti national employed in the United States.

Section 570.312 Kuwaiti person.

The term "Kuwaiti person" means any Kuwaiti citizen, any person organized under the laws of Kuwait, or any person owned or controlled, directly or indirectly, by a Kuwaiti national or the Government of Kuwait.

Section 570.313 License.

Except as otherwise specified, the term "license" means any license or authorization contained in or issued pursuant to this part.

Section 570.314 Person.

The term "person" means an individual, partnership, association, corporation, or other organization.

Section 570.315 Property; property interest.

The terms "property" and "property interest" include, but are not limited to, money, checks, drafts, bullion, bank deposits, savings accounts, debts, indebtedness, obligations, notes, debentures, stocks, bonds, coupons, any other financial instruments, banker's acceptances, mortgages, pledges, liens or other rights in the nature of security, warehouse receipts, bills of lading, trust

receipts, bills of sale, any other evidences of title, ownership or indebtedness, letters of credit and any documents relating to any rights or obligations thereunder, powers of attorney, goods, wares, merchandise, chattels, stocks on hand, ships, goods on ships, real estate mortgages, deeds of trust, vendor's sales agreements, land contracts, leaseholds, ground rents, real estate and any other interest therein, options, negotiable instruments, trade acceptances, royalties, book accounts, accounts payable, judgments, patents, trademarks, or copyrights, insurance policies, safe deposit boxes and their contents, annuities, pooling agreements, services of any nature whatsoever, contracts of any nature whatsoever, and any other property, real, personal, or mixed, tangible or intangible, or interest or interests therein, present, future or contingent.

Section 570.316 Specific license.

The term "specific license" means any license or authorization not set forth in this part but issued pursuant to this part in response to an application.

Section 570.317 Transfer.

The term "transfer" means any actual or purported act or transaction, whether or not evidenced by writing, and

whether or not done or performed within the United States, the purpose, intent, or effect of which is to create, surrender, release, convey, transfer, or alter, directly or indirectly, any right, remedy, power, privilege, or interest with respect to any property and, without limitation upon the foregoing, shall include the making, execution, or delivery of any assignment, power, conveyance, check, declaration, deed, deed of trust, power of attorney, power of appointment, bill of sale, mortgage, receipt, agreement, contract, certificate, gift, sale, affidavit, or statement; the appointment of any agent, trustee, or fiduciary; the creation or transfer of any lien; the issuance, docketing, filing, or the levy of or under any judgment, decree, attachment, injunction, execution, or other judicial or administrative process or order, or the service of any garnishment; the acquisition of any interest of any nature whatsoever by reason of a judgment or decree of any foreign country; the fulfillment of any condition; the exercise of any power of appointment, power of attorney, or other power; or the acquisition, disposition, transportation, importation, exportation, or withdrawal of any security.

Section 570.318 UNSC Resolution 661.

The term "UNSC Resolution 661" means United Nations Security Council Resolution No. 661, adopted August 6, 1990,

prohibiting certain transactions with respect to Iraq and Kuwait.

Section 570.319 United States.

The term "United States" means the United States, its territories and possessions, and all areas under the jurisdiction or authority thereof.

Section 570.320 U.S. financial institution.

The term "U.S. financial institution" means any U.S. person (including foreign branches) that is engaged in the business of accepting deposits, making, granting, transferring, holding, or brokering loans or credits, or purchasing or selling foreign exchange, securities, commodity futures or options, or procuring purchasers and sellers thereof, as principal or agent; including, but not limited to, depository institutions, banks, savings banks, trust companies, securities brokers and dealers, commodity futures and options brokers and dealers, forward contract and foreign exchange merchants, securities and commodities exchanges, clearing corporations, investment companies, employee benefit plans, and U.S. holding companies, U.S. affiliates, or U.S. subsidiaries of any of the foregoing. This term includes those branches, offices and agencies of foreign financial institutions which are located in the

United States, but not such institutions' foreign branches, offices, or agencies.

Section 570.321 United States person; U.S. person.

The term "United States person" or "U.S. person" means any United States citizen; permanent resident alien; juridical person organized under the laws of the United States or any jurisdiction within the United States, including foreign branches; or any person in the United States.

Subpart D -- Interpretations

Section 570.401 Reference to amended sections.

Except as otherwise specified, reference to any section of this part or to any regulation, ruling, order, instruction, direction, or license issued pursuant to this part shall be deemed to refer to the same as currently amended.

Section 570.402 Effect of amendment.

Any amendment, modification, or revocation of any section of this part or of any order, regulation, ruling,

instruction, or license issued by or under the direction of the Director of the Office of Foreign Assets Control shall not, unless otherwise specifically provided, be deemed to affect any act done or omitted to be done, or any civil or criminal suit or proceeding commenced or pending prior to such amendment, modification, or revocation. All penalties, forfeitures, and liabilities under any such order, regulation, ruling, instruction, or license shall continue and may be enforced as if such amendment, modification, or revocation had not been made.

Section 570.403 Termination and acquisition of an interest of the Government of Kuwait.

(a) Whenever a transaction licensed or authorized by or pursuant to this part results in the transfer of property (including any property interest) from the Government of Kuwait, such property shall no longer be deemed to be property in which the Government of Kuwait has or has had an interest unless there exists in the property another such interest, the transfer of which has not been effected pursuant to license or other authorization.

(b) Unless otherwise specifically provided in a license or authorization issued pursuant to this part, if property (including any property interest) is transferred or attempted to be transferred to the Government of Kuwait,

such property shall be deemed to be property in which there exists an interest of the Government of Kuwait.

Section 570.404 Payments from blocked accounts to U.S. exporters and for other obligations prohibited.

No debits may be made to a blocked account to pay obligations to U.S. persons or other persons, including payment for goods, technology or services exported prior to the effective date, except as authorized pursuant to this part.

Section 570.405 Acquisition of instruments including bankers acceptances.

No U.S. person may acquire or deal in any obligation, including bankers acceptances, where the documents evidencing the obligation indicate, or the U.S. person has actual knowledge, that the underlying transaction is in violation of § 570.201, 570.204, or 570.205. This interpretation does not apply to obligations arising from an underlying transaction licensed or otherwise authorized pursuant to this part.

Section 570.406 Extensions of credits or loans to Kuwait.

(a) The prohibition in § 570.210 applies to the unlicensed renewal of credits or loans in existence on the effective date, whether by affirmative action or operation of law.

(b) The prohibition in § 570.210 applies to credits or loans extended in any currency.

Section 570.407 Payments in connection with certain authorized transactions.

Payments are authorized in connection with transactions authorized in or pursuant to Subpart E.

Section 570.408 Offshore transactions.

(a) The prohibitions contained in §§ 570.201 and 570.206 apply to transactions by U.S. persons in locations outside the United States with respect to property which the U.S. person knows, or has reason to know, that the Government of Kuwait has or has had an interest since the effective date.

(b) Prohibited transactions include, but are not limited to, importation into locations outside the United States of, or dealings within such locations in, goods or services of Kuwaiti origin.

(c) Examples: (1) A U.S. person may not, within the United States or abroad, purchase, sell, finance, insure,

transport, act as a broker for the sale or transport of, or otherwise deal in, Kuwaiti crude oil or petroleum products refined in Kuwait.

(2) A U.S. person may not, within the United States or abroad, conduct transactions of any nature whatsoever with an entity that he knows or has reason to know is a Kuwaiti Government entity unless the entity is licensed by the Office of Foreign Assets Control to conduct such transactions with U.S. persons.

Section 570.409 Transshipments through the United States prohibited.

(a) The prohibitions in § 570.205 apply to the importation into the United States, for transshipment or transit, of goods which are intended or destined for Kuwait, or an entity operated from Kuwait.

(b) The prohibitions in § 570.204 apply to the importation into the United States, for transshipment or transit, of goods of Kuwaiti origin which are intended or destined for third countries.

(c) Goods in which the Government of Kuwait has an interest which are imported into or transshipped through the United States are blocked pursuant to §570.201.

Section 570.410 Imports of Kuwaiti goods from third countries.

(a) Importation into the United States from third countries of goods, including refined petroleum products, containing raw materials or components of Kuwaiti origin is prohibited unless those raw materials or components were exported from Iraq or Kuwait prior to the effective date. In light of the universal prohibition in UNSC Resolution 661 on the importation of goods exported from Iraq or Kuwait after August 6, 1990, substantial transformation of Kuwaiti-origin goods in a third country does not exempt the third-country products from the prohibitions contained in this part.

(b) Importation into the United States of goods of Kuwaiti origin which were exported from Kuwait or Iraq on or after the effective date is prohibited pursuant to §570.204.

Section 570.411 Exports to third countries.

(a) Exportation of goods or technology (including technical data and other information) from the United States to third countries is prohibited if the exporter knows, or has reason to know, that the goods or technology are intended for transshipment to Kuwait (including passage through, or storage in, intermediate destinations) without coming to rest in a third country and without being substantially transformed or incorporated into manufactured products in a third country. The exportation of goods and technology intended specifically for incorporation or

substantial transformation into a third-country product is also prohibited if the particular product is to be used in Kuwait, is being specifically manufactured to fill a Kuwaiti order, or if the manufacturer's sales of the particular product are predominantly to Kuwait.

(b) Exportation of goods or technology from the United States to third countries is not prohibited where the exporter has reasonable cause to believe that:

(1) The goods will come to rest in a third country for purposes other than reexportation to Kuwait; or

(2) The technology will come to rest in a third country for purposes other than reexport to Kuwait.

Section 570.412 Release of Kuwaiti goods from bonded warehouse or foreign trade zone.

Section 570.204 does not prohibit the release from a bonded warehouse or a foreign trade zone of goods of Kuwaiti origin imported into a bonded warehouse or a foreign trade zone either prior to the effective date or in a transaction authorized pursuant to this part after the effective date.

Note: Pursuant to §570.201, property in which the Government of Kuwait has an interest may not be released unless authorized or licensed by the Office of Foreign Assets Control.

Section 570.413 Goods intended for export to Kuwait.

The prohibitions contained in § 570.201 do not apply to goods manufactured, consigned, or destined for export to Kuwait and not subject to §575.518, if the Government of Kuwait has never held or received title to such goods on or after the effective date, and if any payment received from the Government of Kuwait with respect to such goods is placed in a blocked account in a U.S. financial institution pursuant to §575.503.

Section 570.414 Imports of Kuwaiti goods and purchases of goods from Kuwait.

The prohibitions contained in § 570.201 shall not apply to the importation of Kuwaiti-origin goods and services described in § 570.204 if the importation of such goods is permitted by an authorization or license issued pursuant to this part. However, any payments in connection with such importation are subject to the prohibitions contained in §§ 570.201 and 570.210.

Section 570.415 Setoffs prohibited.

A setoff against a blocked account, whether by a U.S. bank or other U.S. person, is a prohibited transfer under § 570.201 if effected after the effective date.

Section 570.416 Travel transactions for journalistic

activity in Kuwait.

(a) Section 570.207 does not prohibit travel transactions in Kuwait by persons regularly employed in journalistic activity by recognized newsgathering organizations.

(b) For purposes of this part:

(1) a person is considered regularly employed as a journalist if he or she is employed in a constant or regular manner by a recognized newsgathering organization.

Free-lance journalists should have an assignment from a recognized newsgathering organization requiring travel to Kuwait, or be able to demonstrate that publication by a recognized newsgathering organization of a work requiring such travel is likely. The latter may be demonstrated by providing a resume listing previously-published free-lance works or copies of previously-published works.

(2) "Recognized newsgathering organizations" include those entities regularly and principally engaged in collecting news for publication in the public press, transmission by wire services, or broadcast by radio or television.

(c) Authorized travel transactions are limited to those incident to travel for the purpose of collecting and disseminating information for a recognized newsgathering organization, and do not include travel transactions related to any other activity in Kuwait.

Section 570.417 Transactions among licensed entities.

If two U.S. persons controlled by the Government of Kuwait have been granted specific licenses pursuant to this part authorizing them to engage in transactions with U.S. persons, they may also engage in transactions with each other. If an entity owned or controlled by the Government of Kuwait, but which is not a U.S. person, has been granted a specific license authorizing the entity to engage in transactions with a U.S. person, that entity may engage in transactions with a U.S. person controlled by the Government of Kuwait which has been licensed to operate, provided such transactions come within the scope of authorized transactions included in the U.S. person's operating license.

Section 570.418 Transactions incidental to a licensed transaction.

(a) Any transaction ordinarily incident to a licensed transaction and necessary to give effect thereto is also authorized, except a transaction by an unlicensed, blocked person or involving an unlicensed debit to a blocked account.

(b) Example: A license authorizing the Government of Kuwait to complete a securities sale also authorizes all activities by other parties required to complete the sale,

including transactions by the buyer, brokers, transfer agents, banks, etc.

Subpart E -- Licenses, Authorizations, and Statements of
Licensing Policy

Section 570.501 Effect of license or authorization.

(a) No license or other authorization contained in this part, or otherwise issued by or under the direction of the Director of the Office of Foreign Assets Control, shall be deemed to authorize or validate any transaction effected prior to the issuance of the license, unless specifically provided in such license or authorization.

(b) No regulation, ruling, instruction, or license authorizes any transaction prohibited under this part unless the regulation, ruling, instruction, or license is issued by the Office of Foreign Assets Control and specifically refers to this part. No regulation, ruling, instruction, or license referring to this part shall be deemed to authorize any transaction prohibited by any provision of this chapter unless the regulation, ruling, instruction or license specifically refers to such provision.

(c) Any regulation, ruling, instruction, or license authorizing any transaction otherwise prohibited under this

part has the effect of removing a prohibition or prohibitions contained in Subpart B from the transaction, but only to the extent specifically stated by its terms. Unless the regulation, ruling, instruction, or license otherwise specifies, such an authorization does not create any right, duty, obligation, claim, or interest in, or with respect to, any property which would not otherwise exist under ordinary principles of law.

Section 570.502 Exclusion from licenses and authorizations.

The Director of the Office of Foreign Assets Control reserves the right to exclude any person, property, or transaction from the operation of any license, or from the privileges therein conferred, or to restrict the applicability thereof with respect to particular persons, property, transactions, or classes thereof. Such action shall be binding upon all persons receiving actual or constructive notice of such exclusion or restriction.

Section 570.503 Payments and transfers to blocked accounts in U.S. financial institutions.

(a) Any payment of funds or transfer of credit or other assets, including any payment or transfer by any U.S. person outside the United States, to a blocked account in a U.S. financial institution in the name of the Government of

Kuwait is hereby authorized, including incidental foreign exchange transactions, provided that such payment or transfer shall not be made from any blocked account if such payment or transfer represents, directly or indirectly, a transfer of any interest of the Government of Kuwait to any other country or person.

(b) This section does not authorize any payment or transfer to any blocked account held in a name other than that of the Government of Kuwait where such government is the ultimate beneficiary of such payment or transfer.

(c) This section does not authorize any payment or transfer of credit comprising an integral part of a transaction which cannot be effected without the subsequent issuance of a further license.

(d) This section does not authorize the crediting of the proceeds of the sale of securities or other assets, held in a blocked account or a sub-account thereof, or the income derived from such securities or assets, to a blocked account or sub-account, under any name or designation which differs from the name or designation of the specific blocked account or sub-account in which such securities or assets were or are held.

(e) This section does not authorize any payment or transfer from a blocked account in a U.S. financial institution to a blocked account held under any name or designation which differs from the name or designation of

the specified blocked account or sub-account from which the payment or transfer is made.

(f) The authorization in paragraph (a) of this section is subject to the condition that written notification from the U.S. financial institution receiving an authorized payment or transfer is furnished to the Office of Foreign Assets Control, Blocked Assets Section, within 10 business days from the date of payment or transfer. This notification shall confirm that the payment or transfer has been deposited in a blocked account under the regulations in this part, and shall provide the account number, the name and address of the Government of Kuwait entity in whose name the account is held, the name and address of the transferee U.S. financial institution, and the amount of the payment or transfer.

(g) This section authorizes transfer of the funds of a blocked demand deposit account to a blocked interest-bearing account under the same name or designation as was the demand deposit account, as required pursuant to § 570.203 or at the instruction of the depositor, at any time. If such transfer is to a blocked account in a different U.S. financial institution, the transferee financial institution must furnish, within 10 business days of the date of transfer, the notification described in paragraph (f) of this section to the Office of Foreign Assets Control, Blocked Assets Section.

(h) This section authorizes the transfer of assets between blocked accounts in U.S. financial institutions at the instruction of the depositor for purposes of investment and reinvestment of assets in which the Government of Kuwait has an interest, as authorized in § 570.512. If such transfer is to a blocked account in a different U.S. financial institution, the transferee financial institution must furnish, within 10 business days of the date of transfer, the notification described in paragraph (f) of this section to the Office of Foreign Assets Control, Blocked Assets Section.

Section 570.504 Completion of certain foreign exchange, securities, and commodities transactions.

(a) U.S. financial institutions are authorized to perform and complete in accordance with its terms or, in agreement with the Government of Kuwait, to close out, offset, or liquidate, individually or on a net basis with subcontracts or other contracts, any contract with or on behalf of the Government of Kuwait, except as otherwise noted in paragraph (d) below, for foreign exchange, securities, currency, and interest rate transactions (including, without limitation, spot, forward, option, swap, and futures transactions), and commodity option, swap, and futures transactions (including the posting or payment of margin or settlement variation with respect to

transactions described above, provided the contract was entered into prior to the effective date and any of the following requirements is met:

(1) Any funds, currency, securities, or other assets to be paid or delivered to the Government of Kuwait are credited to a blocked account in the name of the entity of the Government of Kuwait with which, or on whose behalf, the transaction was executed; or

(2) Any funds, currency, securities, or other assets to be paid or delivered to the Government of Kuwait are credited to a blocked account in the name of the entity of the Government of Kuwait and in the financial institution and location designated in the original payment instructions or terms of settlement or delivery for that contract; provided that the country in which payment, settlement, or delivery occurs has in place an arrangement satisfactory to the Office of Foreign Assets Control for ensuring that Government of Kuwait assets in such accounts are blocked or restricted; or

(3) All funds, currency, securities, or other assets due to the Government of Kuwait in connection with such transaction were paid or delivered to the Government of Kuwait prior to the effective date.

(b) All transactions by U.S. persons incidental to the transactions authorized in paragraph (a) are also authorized.

(c) This section does not authorize the crediting of the funds, currency, securities, or other assets received by, or for the benefit of, the Government of Kuwait in a transaction authorized in paragraph (a) to a blocked account or sub-account for the Government of Kuwait under any name or designation which differs from the name or designation of the specific blocked account or sub-account in which the assets utilized by, or on behalf of, the Government of Kuwait in such transaction, were originally held.

Section 570.505 Completion of certain transactions related to bankers acceptances authorized.

(a) Persons other than the Government of Kuwait are authorized to buy, sell, and satisfy obligations with respect to bankers acceptances, and to pay under deferred payment undertakings, involving an interest of the Government of Kuwait as long as the bankers acceptances were created or the deferred payment undertakings were incurred prior to the effective date.

(b) Persons other than the Government of Kuwait are authorized to buy, sell, and satisfy obligations with respect to bankers acceptances, and to pay under deferred payment undertakings, involving the importation or exportation of goods to or from Kuwait that do not involve an interest of the Government of Kuwait as long as the

bankers acceptances or the deferred payment undertakings were accepted prior to the effective date.

(c) Nothing in this section shall authorize or permit a debit to a blocked account. Specific licenses for the debiting of a blocked account may be issued on a case-by-case basis.

Section 570.506 Payment by the Government of Kuwait of obligations to persons within the United States authorized.

(a) The transfer of funds after the effective date by, through, or to any U.S. financial institution or other U.S. person solely for the purpose of payment of obligations of the Government of Kuwait to persons or accounts within the United States is authorized, provided that the obligation arose prior to the effective date, and the payment requires no debit to a blocked account. Property is not blocked by virtue of being transferred or received pursuant to this section.

(b) A person receiving payment under this section may distribute all or part of that payment to any person, provided that any such payment to the Government of Kuwait must be to a blocked account in a U.S. financial institution.

Section 570.507 Certain exports to Kuwait authorized.

(a) All transactions ordinarily incident to the exportation of any item, commodity, or product from the United States to or destined for Kuwait are authorized if:

(1) such exports would ordinarily be authorized under one of the following regulations administered by the Department of Commerce: 15 CFR 371.6 - General license BAGGAGE (accompanied and unaccompanied baggage); 15 CFR 371.13 - General license GUS (shipments to personnel and agencies of the U.S. Government); or,

(2) such exports are for the official use of the United Nations, its personnel and agencies (excluding its relief or developmental agencies).

(b) All transactions related to exportation or reexportation not otherwise authorized in this part are prohibited unless licensed pursuant to the procedures described in Section 570.801 by the Office of Foreign Assets Control.

Section 570.508 Import of household and personal effects from Kuwait authorized.

The importation of household and personal effects of Kuwaiti origin, including baggage and articles for family use, of persons arriving in the United States directly or indirectly from Kuwait is authorized. Articles included in such effects may be imported without limitation provided they were actually used by such persons or their family

members abroad, are not intended for any other person or for sale, and are not otherwise prohibited from importation.

Section 570.509 Payments and transfers authorized for shipments of oil under contract and en route to the United States prior to the effective date.

(a) Oil of Kuwaiti origin or oil in which the Government of Kuwait has an interest may be imported into the United States only if:

(1) prior to the effective date, the oil was loaded for ultimate delivery to the United States on board a vessel in Iraq, Kuwait, or a third country;

(2) the oil was imported into the United States before 11:59 p.m. Eastern Daylight Time, October 1, 1990; and

(3) the bill of lading accompanying the oil was issued prior to the effective date.

(b) Any payment owed or balance not paid to or for the benefit of the Government of Kuwait prior to the effective date for oil imported pursuant to paragraph (a) must be paid into a blocked account in a U.S. financial institution.

(c) Transactions conducted pursuant to this section must be reported in writing to the Office of Foreign Assets Control, Blocked Assets Section, no later than 10 days after the date of importation.

Note: Transactions authorized by this provision have been completed prior to [publication date]. The text of this section is included for the convenience of the user.

Section 570.510 Payments and transfers authorized for goods and services exported to Kuwait prior to the effective date.

(a) Specific licenses may be issued on a case-by-case basis to permit payment under a financing arrangement requiring payment by a U.S. financial institution, from a blocked account or otherwise, of amounts owed to or for the benefit of a person with respect to goods or services exported prior to the effective date directly or indirectly to Kuwait, or to third countries for an entity operated from Kuwait, or for the benefit of the Government of Kuwait, where the license application presents evidence satisfactory to the Office of Foreign Assets Control that:

(1) the exportation occurred prior to the effective date (such evidence may include, e.g., the bill of lading, the air waybill, the purchaser's written confirmation of completed services, customs documents, and insurance documents); and

(2) if delivery or performance occurred after the effective date, due diligence was exercised to divert delivery of the goods from Kuwait and to effect final

delivery of the goods to a non-prohibited destination, or to prevent performance of the services.

(b) This section does not authorize exportation or the performance of services after the effective date pursuant to a contract entered into or partially performed prior to the effective date.

(c) Transactions conducted under specific licenses granted pursuant to this section must be reported in writing to the Office of Foreign Assets Control, Blocked Assets Section, no later than 10 days after the date of payment.

(d) Separate criteria may be applied to the issuance of licenses authorizing payment from an account of or held by a blocked U.S. bank owned or controlled by the Government of Kuwait.

Section 570.511 Extensions and renewals authorized.

(a) The extension or renewal, at the request of the account party, of a letter of credit or a standby letter of credit issued or confirmed by a U.S. financial institution is authorized.

(b) Transactions conducted pursuant to this section must be reported to the Office of Foreign Assets Control, Blocked Assets Section, within 10 days after completion of the transaction.

Section 570.512 Investment and reinvestment of Government

of Kuwait funds held in blocked accounts.

(a) U.S. financial institutions are hereby authorized to invest and reinvest assets held in blocked accounts in the name of the Government of Kuwait, subject to the following conditions:

(1) The assets representing such investments and reinvestments are credited to a blocked account or sub-account which is in the name of the Government of Kuwait and which is located in the United States or within the possession or control of a U.S. person;

(2) The proceeds of such investments and reinvestments are not credited to a blocked account or sub-account under any name or designation which differs from the name or designation of the specific blocked account or sub-account in which such funds or securities were held; and

(3) No immediate financial or economic benefit accrues to the Government of Iraq, a person in Iraq, or a person in Kuwait.

(b)(1) U.S. persons seeking to avail themselves of this authorization must register with the Office of Foreign Assets Control, Blocked Assets Section, before undertaking transactions authorized under this section.

(2) Transactions conducted pursuant to this section must be reported to the Office of Foreign Assets Control, Blocked Assets Section, within 10 days after completion of the transaction.

Section 570.513 Transactions related to telecommunications authorized.

All transactions of U.S. common carriers with respect to the receipt and transmission of telecommunications involving Kuwait are authorized, provided that any payment owed to the Government of Kuwait or persons in Kuwait is paid into a blocked account in a U.S. financial institution.

Section 570.514 Transactions related to mail authorized.

All transactions by U.S. persons, including payment and transfers to common carriers, incident to the receipt or transmission of mail between the United States and Kuwait are authorized, provided that mail is limited to items not exceeding 12 ounces.

Section 570.515 Fees for professional services authorized.

Specific licenses may be issued on a case-by-case basis to permit payment to U.S. persons providing professional services to the Government of Kuwait including, but not limited to, legal, accounting, and investment advisory services.

Section 570.516 Certain transactions with respect to

patents, trademarks, and copyrights authorized.

Transactions related to the registration and renewal in the United States Patent and Trademark Office or the United States Copyright Office of patents, trademarks, and copyrights in which the Government of Kuwait or a person in Kuwait has an interest are authorized.

Section 570.517 Procedures established for export transactions initiated prior to effective date.

(a) Goods awaiting exportation to Kuwait on the effective date and seized or detained by the U.S. Customs Service on the effective date or thereafter may be released to the exporter, provided the following documents are filed with Customs officials at the port where such goods are located:

(1) A copy of the contract governing the exportation (sale or other transfer) of the goods to Kuwait or, if no contract exists, a written explanation of the circumstances of exportation, including in either case a description of the manner and terms of payment received or to be received by the exporter (or other person) for, or by reason of, the exportation of the goods;

(2) An invoice, bill of lading, or other documentation fully describing the goods; and

(3) A statement by the exporter substantially in the following form:

Any amount received from or on behalf of the Government of Kuwait by reason of the attempted exportation of the goods released to [name of exporter] by the U.S. Customs Service on [date], and fully described in the attached documents, has been or will be placed into a blocked account in a U.S. bank and the Office of Foreign Assets Control, Blocked Assets' Section, will be immediately notified. [Name of exporter] agrees to fully indemnify the U.S. Government for any amount ultimately determined by a court of competent jurisdiction to be due or payable to or for the benefit of any person by reason of the failure of [name of exporter] to properly pay into a blocked account any amount received for the goods from or on behalf of the Government of Kuwait. [Name of exporter] also agrees to waive all claims (1) against any payments received and placed into a blocked account, except as may be later authorized by law, regulations, or license, and (2) against the U.S. Government with regard to the disposition of the amounts placed into a blocked account.

The statement should be dated and signed by the exporter or by a person authorized to sign on the exporter's behalf. The Customs Service may release the goods to the exporter upon receipt of the documentation and statement described

above, provided it is satisfied that all customs laws and regulations have been complied with, including the execution of such hold harmless assurances as it shall determine to be appropriate. The documentation and statement received by Customs will be forwarded to the Office of Foreign Assets Control for review and appropriate action.

Section 570.518 Certain standby letters of credit and performance bonds.

(a)(1) Notwithstanding any other provision of law, payment into a blocked account in a U.S. financial institution by an issuing or confirming bank under a standby letter of credit in favor of a Kuwaiti beneficiary is prohibited by § 570.201 and not authorized, notwithstanding the provisions of § 570.503, if (i) a specific license has been issued pursuant to the provisions of paragraph (b) of this section, or (ii) 10 business days have not expired after notice to the account party pursuant to paragraph (b) of this section.

(2) Nothing in this section shall affect the obligation of an issuing or confirming bank to make payment into a blocked account on behalf of an entity owned or controlled by the Government of Kuwait pursuant to a standby letter of credit if such entity is (i) licensed by the Office of Foreign Assets Control to transact business with U.S. persons, or (ii) listed in Appendix A to this part as "Not Controlled/Not Restricted" or "Controlled/Licensed to Operate."

(b) Whenever an issuing or confirming bank shall receive such demand for payment under such a standby letter of credit, it shall promptly notify the account party. The account party may then apply within five business days for a specific license authorizing the account party to establish a blocked account on its books in the name of the Kuwaiti beneficiary in the amount payable under the credit, in lieu of payment by the issuing or confirming bank into a blocked account and reimbursement therefor by the account party. Nothing in this section relieves any such bank or such account party from giving any notice of defense against payment or reimbursement that is required by applicable law.

(c) Where there is outstanding a demand for payment under a standby letter of credit, and the issuing or confirming bank has been enjoined from making payment, upon removal of the injunction, the account party may apply for a specific license for the same purpose and in the same manner as that set forth in paragraph (b) of this section. The issuing or confirming bank shall not make payment under the standby letter of credit unless (1) 10 business days have expired since the bank has received notice of the removal of the injunction and (2) a specific license issued to the account party pursuant to the provisions of this paragraph has not been presented to the bank.

(d) If necessary to assure the availability of the funds blocked, the Director of the Office of Foreign Assets Control may at any time require the payment of the amounts

due under any letter of credit described in paragraph (a) of this section into a blocked account in a U.S. financial institution or the supplying of any form of security deemed necessary.

(e) Nothing in this section precludes the account party on any standby letter of credit or any other person from at any time contesting the legality of the demand from a Kuwaiti beneficiary or from raising any other legal defense to payment under the standby letter of credit.

(f) This section does not affect the obligation of the various parties to the instruments covered by this section if the instruments and payments thereunder are subsequently unblocked.

(g) The section does not authorize any U.S. person to reimburse a non-U.S. bank for payment to a Kuwaiti beneficiary under a standby letter of credit, except by payments into a blocked account in accordance with § 570.503 or paragraph (b) or (c) of this section.

(h) A person receiving a specific license under paragraph (b) or (c) of this section shall certify to the Office of Foreign Assets Control within 5 business days after receipt of that license that it has established the blocked account on its books as provided in those paragraphs. However, in appropriate cases, this time period may be extended upon application to the Office of Foreign Assets Control when the account party has filed a petition

with an appropriate court seeking a judicial order barring payment by the issuing or confirming bank.

(i) For the purposes of this section, (1) the term "standby letter of credit" shall mean a letter of credit securing performance of, or repayment of any advance payments or deposits under, a contract, or any similar obligation in the nature of a performance bond; (2) the term "account party" shall mean the person for whose account the standby letter of credit is opened; and (3) the term "Kuwaiti beneficiary" shall mean a beneficiary that is (i) a person in Kuwait, (ii) an entity operated from Kuwait, or (iii) the Government of Kuwait.

Section 570.519 Certain imports for diplomatic or official personnel authorized.

All transactions ordinarily incident to the importation of any goods or services into the United States destined for official or personal use by diplomatic and support personnel employed by the recognized Government of Kuwait are authorized, unless the importation is otherwise prohibited by law.

Section 570.520 Donations of food to relieve human suffering authorized.

(a) Specific licenses may be issued on a case-by-case basis to permit exportation to Kuwait of donated food intended to relieve human suffering.

(b) In general, specific licenses will only be granted for donations of food to be provided through the United Nations in accordance with United Nations Security Council Resolutions 661 and 666 and in cooperation with the International Committee of the Red Cross or other appropriate humanitarian agencies for distribution by them or under their supervision, or in such other manner as may be approved under United Nations Security Council Resolution 666 and any other applicable Security Council resolutions, in order to ensure that such donations reach the intended beneficiaries.

(c) Applications for specific licenses pursuant to paragraph (a) shall be made in advance of the proposed exportation, and provide the following information:

(1) the nature, quantity, value, and intended use of the donated food; and

(2) the terms and conditions of distribution, including the intended method of compliance with such terms and conditions of distribution as may have been adopted by the United Nations Security Council or a duly authorized body subordinate thereto to govern the shipment of foodstuffs under applicable United Nations Security Council resolutions, including Resolutions 661 and 666.

Section 570.521 Certain exportations of medical supplies
authorized.

(a) Specific licenses may be issued on a case-by-case basis to permit exportation to Kuwait of supplies intended strictly for medical purposes, in accordance with the provisions of United Nations Security Council Resolutions 661 and 666, and other applicable Security Council resolutions.

(b) In general, specific licenses will only be granted for the exportation of medical supplies through the International Committee of the Red Cross or other appropriate humanitarian agencies for distribution by them or under their supervision, or in such other manner as may be approved under applicable Security Council resolutions, in order to ensure that such supplies reach the intended recipient.

(c) Applications for specific licenses pursuant to paragraph (a) shall be made in advance of the proposed exportation, and provide the following information:

(1) the nature, quantity, value, and intended use of the medical supplies;

(2) the terms and conditions of distribution, including the intended method of compliance with such terms and conditions of distribution as may have been adopted by the United Nations Security Council or a duly authorized

body subordinate thereto to govern the shipment of medical supplies under applicable Security Council resolutions.

Subpart F -- Reports

Section 570.601 Required records.

Every person engaging in any transaction subject to the provisions of this part shall keep a full and accurate record of each such transaction in which that person engages, regardless of whether such transaction is effected pursuant to license or otherwise, and such record shall be available for examination for at least 2 years after the date of such transaction.

Section 570.602 Reports to be furnished on demand.

Every person is required to furnish under oath, in the form of reports or otherwise, from time to time and at any time as may be required, complete information relative to any transaction, regardless of whether such transaction is effected pursuant to license or otherwise, subject to the provisions of this part. Such reports may be required to include the production of any books of account, contracts, letters or other papers, connected with any such transaction

or property, in the custody or control of the person required to make such reports. Reports with respect to transactions may be required either before or after such transactions are completed. The Director of Foreign Assets Control may, through any person or agency, conduct investigations, hold hearings, administer oaths, examine witnesses, receive evidence, take depositions, and require by subpoena the attendance and testimony of witnesses and the production of all books, papers, and documents relating to any matter under investigation, regardless of whether any report has been required or filed in connection therewith.

Section 570.603 Report on certain correspondent bank accounts.

(a) U.S. financial institutions are required to file a monthly report concerning any bank account held by them in the name of a bank in which the Government of Kuwait holds an equity interest of 10% or more (i.e., a correspondent bank account).

(b) The report, consisting of a copy of a monthly bank statement for the account, must (1) include a summary of the average balance in the account for the period covered by the report, (2) list the actual date on which account statements are made available to account holders, and (3) state the exact location at which documents showing debits from and credits to the account may be reviewed and the name and

telephone number of a person responsible for the content of the report. (The report should not include copies of documents showing debits and credits.)

(c) A report filed pursuant to this section must arrive at the Office of Foreign Assets Control, Compliance Section, no later than the last business day of the month following the activity summarized in the report. The report may be sent by facsimile to (202) 377-7222 or mailed to the following address:

Compliance Unit - 603
Office of Foreign Assets Control
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W. -- 2131 Annex
Washington, D.C. 20220.

Subpart G -- Penalties

Section 570.701 Penalties.

(a) Section 586E of the Iraq Sanctions Act of 1990, contained in the Foreign Operations Authorization and Appropriation Act of 1990, dated November 5, 1990, 104 Stat. 1979, provides that:

Notwithstanding section 206 of the International Emergency Economic Powers Act (50 U.S.C. 1705) and

section 5(b) of the United Nations Participation Act of 1945 (22 U.S.C. 287c(b))--

(1) A civil penalty of not to exceed \$250,000 may be imposed on any person who, after the enactment of this Act, violates or evades or attempts to violate or evade Executive Order Number 12722, 12723, 12724, 12725, or any license, order, or regulation issued under such Executive Order;

(2) Whoever after the date of enactment of the Iraq Sanctions Act of 1990 willfully violates or evades or attempts to violate or evade Executive Order Number 12722, 12723, 12724, or 12725 or any license, order, or regulation issued under any such Executive Order--

(i) shall, upon conviction, be fined not more than \$1,000,000 if a person other than a natural person; or

(ii) if a natural person, shall upon conviction, be fined not more than \$1,000,000 be imprisoned for not more than 12 years, or both.

Any officer, director, or agent of any corporation who knowingly participates in a violation, evasion, or attempt described in paragraph (a) may be punished by imposition of the fine, imprisonment (or both) specified in subparagraph (a)(2)(ii) of that paragraph.

(b) Attention is directed to 18 U.S.C. 1001, which provides:

Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representation or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

(c) Violations of this part may also be subject to relevant provisions of the Customs laws and other applicable laws.

Section 570.702 Prepenalty notice.

(a) When required: If the Director of the Office of Foreign Assets Control has reasonable cause to believe that there has occurred a violation of any provision of this part or a violation of the provisions of any license, ruling, regulation, order, direction or instruction issued by or pursuant to the direction or authorization of the Secretary of the Treasury pursuant to this part or otherwise under the International Emergency Economic Powers Act, and the Director determines that further proceedings are warranted, he shall issue to the person concerned a notice of his

intent to impose a monetary penalty. The prepenalty notice shall be issued whether or not another agency has taken any action with respect to this matter.

(b) Contents.

(1) Facts of violation. The prepenalty notice shall describe the violation, specify the laws and regulations allegedly violated, and state the amount of the proposed monetary penalty.

(2) Right to make presentations. The prepenalty notice also shall inform the person of his right to make a written presentation within 30 days of mailing of the notice as to why a monetary penalty should not be imposed, or, if imposed, why it should be in a lesser amount than proposed.

Section 570.703 Presentation responding to prepenalty notice.

(a) Time within which to respond. The named person shall have 30 days from the date of mailing of the prepenalty notice to make a written presentation to the Director.

(b) Form and contents of written presentation. The written presentation need not be in any particular form, but shall contain information sufficient to indicate that it is in response to the prepenalty notice. It should contain responses to the allegations in the prepenalty notice and set forth the reasons why the person believes the penalty

should not be imposed or, if imposed, why it should be in a lesser amount than proposed.

Section 570.704 Penalty notice.

(a) No violation. If, after considering any presentations made in response to the prepenalty notice and any relevant facts, the Director determines that there was no violation by the person named in the prepenalty notice, he promptly shall notify the person in writing of that determination and that no monetary penalty will be imposed.

(b) Violation. If, after considering any presentations made in response to the prepenalty notice, the Director determines that there was a violation by the person named in the prepenalty notice, he promptly shall issue a written notice of the imposition of the monetary penalty to that person.

Section 570.705 Referral to United States Department of Justice.

In the event that the person named does not pay the penalty imposed pursuant to this subpart or make payment arrangements acceptable to the Director within 30 days of the mailing of the written notice of the imposition of the penalty, the matter shall be referred to the United States

Department of Justice for appropriate action to recover the penalty in a civil suit in a Federal district court.

Subpart H -- Procedures

Section 570.801 Licensing.

(a) General licenses. General licenses have been issued authorizing under appropriate terms and conditions certain types of transactions which are subject to the prohibitions contained in Subpart B of this part. All such licenses in effect on the date of publication are set forth in Subpart E of this part. It is the policy of the Office of Foreign Assets Control not to grant applications for specific licenses authorizing transactions to which the provisions of an outstanding general license are applicable. Persons availing themselves of certain general licenses may be required to file reports and statements in accordance with the instructions specified in those licenses. Failure to file such reports or statements will nullify the authority of the general license.

(b) Specific licenses.

(1) General course of procedure. Transactions subject to the prohibitions contained in Subpart B of this part which are not authorized by general license may be effected only under specific licenses.

(2) Applications for specific licenses.

Applications for specific licenses to engage in any transactions prohibited by or pursuant to this part may be filed by letter or on an application form with the Office of Foreign Assets Control. Any person having an interest in a transaction or proposed transaction may file an application for a license authorizing such transaction, but the applicant for a specific license is required to make full disclosure of all parties in interest to the transaction so that a decision on the application may be made with full knowledge of all relevant facts and so that the identity and location of the persons who know about the transaction may be easily ascertained in the event of inquiry.

(3) Information to be supplied. The applicant must supply all information specified by relevant instructions and/or forms, and must fully disclose the names of all the parties who are concerned with or interested in the proposed transaction. If the application is filed by an agent, the agent must disclose the name of his principal(s). Such documents as may be relevant shall be attached to each application as a part of such application except that documents previously filed with the Office of Foreign Assets Control may, where appropriate, be incorporated by reference. Applicants may be required to furnish such further information as is deemed necessary to a proper determination by the Office of Foreign Assets Control. If an applicant or other party in interest desires to present

additional information or discuss or argue the application, he may do so at any time before or after decision. Arrangements for oral presentation should be made with the Office of Foreign Assets Control.

(4) Effect of denial. The denial of a license does not preclude the reopening of an application or the filing of a further application. The applicant or any other party in interest may at any time request explanation of the reasons for a denial by correspondence or personal interview.

(5) Reports under specific licenses. As a condition for the issuance of any license, the licensee may be required to file reports with respect to the transaction covered by the license, in such form and at such times and places as may be prescribed in the license or otherwise.

(6) Issuance of license. Licenses will be issued by the Office of Foreign Assets Control acting on behalf of the Secretary of the Treasury or licenses may be issued by the Secretary of the Treasury acting directly or through any specifically designated person, agency, or instrumentality.

(c) Address. License applications, reports, and inquiries should be addressed to the appropriate section or individual within the Office of Foreign Assets Control, or to its Director, at the following address:

Office of Foreign Assets Control
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W., Annex

Washington, D.C. 20220.

Section 570.802 Decisions.

The Office of Foreign Assets Control will advise each applicant of the decision respecting filed applications. The decision of the Office of Foreign Assets Control acting on behalf of the Secretary of the Treasury with respect to an application shall constitute final agency action.

Section 570.803 Amendment, modification, or revocation.

The provisions of this part and any rulings, licenses, whether general or specific, authorizations, instructions, orders, or forms issued hereunder may be amended, modified, or revoked at any time.

Section 570.804 Rulemaking.

(a) All rules and other public documents are issued by the Secretary of the Treasury upon recommendation of the Director of the Office of Foreign Assets Control. In general, rulemaking by the Office of Foreign Assets Control involves foreign affairs functions of the United States, and for that reason is exempt from the requirements under the Administrative Procedure Act (5 U.S.C. 553) for notice of proposed rulemaking, opportunity for public comment, and

delay in effective date. Wherever possible, however, it is the practice of the Office of Foreign Assets Control to receive written submissions or hold informal consultations with interested parties before the issuance of any rule or other public document.

(b) Any interested person may petition the Director of the Office of Foreign Assets Control in writing for the issuance, amendment, or repeal of any rule.

Section 570.805 Delegation by the Secretary of the Treasury.

Any action which the Secretary of the Treasury is authorized to take pursuant to Executive Order No. 12723 and Executive Order No. 12725 may be taken by the Director, Office of Foreign Assets Control, or by any other person to whom the Secretary of the Treasury has delegated authority so to act.

Section 570.806 Rules governing availability of information.

(a) The records of the Office of Foreign Assets Control which are required by 5 U.S.C. 552 to be made available to the public shall be made available in accordance with the definitions, procedures, payment of fees, and other provisions of the regulations on the Disclosure of Records

of the Office of the Secretary and of other bureaus and offices of the Department issued under 5 U.S.C. 552 and published as Part 1 of this Title 31 of the Code of Federal Regulations.

(b) Any form issued for use in connection with the Kuwaiti Assets Control Regulations may be obtained in person or by writing to the Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, N.W., Annex, Washington, D.C. 20220, or by calling (202) 566-2701.

Subpart I -- Paperwork Reduction Act

Section 570.901 [Reserved].

APPENDIX A TO PART 570--KUWAITI GOVERNMENTAL ENTITIES

The Treasury Department has been asked about the status of various entities in which the Government of Kuwait or Kuwaiti nationals may have an interest for purposes of Executive Order Nos. 12722-12725. Based on information available to the Office of Foreign Assets Control, the following lists have been compiled.

The entities listed as "Controlled/Blocked" have been determined to be controlled by the Government of Kuwait and/or the Government of Iraq and should be regarded as blocked entities. This means U.S. persons are prohibited

from engaging in transactions with these entities and all assets under U.S. jurisdiction owned or controlled by those entities are blocked. U.S. persons are not prohibited, however, from paying funds owed to these entities into blocked accounts held in U.S. financial institutions.

The entities listed as "Controlled/Licensed to Operate" should also be regarded as controlled by the Government of Kuwait, but as licensed to operate. This means the Office of Foreign Assets Control has determined that the entities are under the effective control of the recognized Government of Kuwait and U.S. persons are authorized to engage in transactions with them. These authorized transactions include entering into contracts, making and receiving payments, and conducting other commercial or financial transactions. If questions arise, U.S. persons should request from the entities concerned to see copies of the operating licenses.

The entities listed as "Not Controlled/No Restrictions" are not regarded by the Office of Foreign Assets Control as controlled by the Government of Kuwait. The names of these entities appear on the list solely for the purpose of clarification because requests regarding their status have been received. Some of the entities on this list may be subject to special Treasury Department licensing or reporting requirements.

Warning: These lists are subject to revision should new information become available, and are not inclusive. Additions to the lists are anticipated. The absence of a particular entity from any of the lists should not be regarded as indicative of whether the entity is owned or controlled by the Government of Kuwait or the Government of Iraq.

Controlled/Blocked

AlAhli Bank of Kuwait
AlAhlia Insurance Company
Arab Fund for Economic and Social Development
Arab Trust Company
Bahrain Arab International Bank
Bank of Kuwait & Middle East
Burgan Bank
Central Bank of Kuwait
Commercial Bank of Kuwait
Commercial Facilities Company
The Gulf Bank
Gulf Insurance Company
Industrial Bank of Kuwait
International Financial Advisor
KREIC Singapore
Kuwait Cement Company
Kuwait Clearing Company
Kuwait Finance House
Kuwait Hotels Company
Kuwait Metal Pipe Industries Company
Kuwait Real Estate Bank
Kuwait Real Estate Investment Consortium
(KREIC)
Kuwait Reinsurance Company
Kuwait Supply Company
Kuwait United Poultry Company
Mobile Telephone Systems
Mubarakiah Poultry and Feed Company
National Industries Company K.S.C.
National Real Estate Company
Public Warehousing Company
Rawdatain Water Bottling Company
Refrigeration Industries Company
Savings and Credit Bank
Securities Group Company
Securities House Company

United Fisheries of Kuwait
United Realty Company
Univest Invest Company
Warba Insurance Company

Controlled/Licensed to Operate

Credit des Bergues
Georgetown Industries, Inc. (including subsidiaries)
KFIC, Inc. (including subsidiaries)
Kuwait Airways Corporation
Kuwait Asia Bank
Kuwait Investment Office (including controlled entities)
Kuwait Investment Authority
Kuwait Maritime Transport Company
Kuwait & Middle East Financial Investment Company
Kuwait Petroleum Corporation (London) (including licensed affiliates)
Kuwait Petroleum - North Sea Holdings Ltd. (including subsidiaries)
Santa Fe International Corporation (including subsidiaries and affiliates)
Wafra Intervest Corporation (Cayman) (including subsidiaries and affiliates)

Not Controlled/No Restrictions

[Some of these entities may be subject to special Treasury Department licensing/reporting requirements.]

Alexandria Kuwait International Bank
Arab African International Bank
Arab Banking Corporation
Arab Financial Services Company
Arab Hellenic Bank
Arab Insurance Group
Arab Maritime Petroleum Transport
Arab Mining Company
Arab Petroleum Investments Corporation
Arab Turkish Bank
Bahrain Islamic Bank
Bahrain Islamic Investment Company
Bahrain Middle East Bank
Banco Arabe Espanol
Banco Atlantico
Bank of Bahrain and Kuwait
Bank of Oman, Bahrain & Kuwait
CHENI
Dao Heng Bank
FRAB Bank International

Gulf International Bank
Gulf Investment Corporation
Independent Petroleum Group
International Contracting Group
Jordan Fertilizer Industry Company
Jordan Kuwait Bank
Korea Kuwait Banking Corporation
Kuwait French Bank
Kuwait Investment Projects Company
Kuwait Lebanon Bank
Kuwait National Cinema Company
National Bank of Kuwait
National Investment Company
Oman Housing Bank
Pearl Holding Company
Swiss Kuwaiti Bank
The Arab Investment Company
UBAF Arab American Bank
United Arab Shipping Company
United Bank of Kuwait
United Gulf Bank
Yemen Kuwait Bank

Dated: November 21, 1990



R. Richard Newcomb
Director
Office of Foreign Assets Control

Approved: November 27, 1990

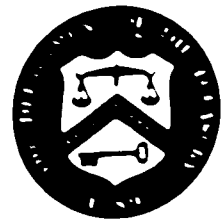


John P. Simpson
Acting Assistant Secretary
(Enforcement)

Filed: November 28, 1990 (4:34 p.m.)

Publication date: November 30, 1990

TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-204

EMBARGOED FOR RELEASE AT 11:00 A.M.
DECEMBER 3, 1990

TREASURY DEPARTMENT RELEASES REPORT ON INTERNATIONAL ECONOMIC AND EXCHANGE RATE POLICY

The Treasury Department today released its report to Congress on International Economic and Exchange Rate Policy. This report is prepared pursuant to the Omnibus Trade and Competitiveness Act of 1988. It reviews the economic situation in the industrial countries, developments in the foreign exchange markets and in the U.S. balance of payments, and economic policy coordination among the major countries. It also provides a status report on developments in the Asian newly industrialized economies of Korea and Taiwan, and for the first time, China.

The report contains a number of key conclusions.

- o It notes that in view of developments in the world economy, including the U.S. budget agreement which will strengthen G-7 policy coordination, the further adjustment of external imbalances should rely primarily on macroeconomic and structural policy measures, rather than on further exchange rate adjustment.
- o Korea continues to maintain pervasive foreign exchange and capital controls, and little progress was made in recent Financial Policy Talks in addressing these. Although there are no indications at this time that Korea directly "manipulates" the won, the continued existence of these exchange and capital controls and their aggressive implementation render less relevant the determination that there is no direct "manipulation." The basic exchange rate system now in place, while an improvement over the previous regime, is far from a truly market-determined system.
- o Taiwan also has given no evidence of directly "manipulating" its exchange rate. Nevertheless, its external imbalances remain persistently large, and thus, give rise to concerns that remaining restrictions on capital movements are contributing to indirect "manipulation" of the exchange rate.
- o China has registered large bilateral trade surpluses with the United States in recent years (\$6 billion in 1989). These surpluses are primarily a product of its administrative controls over the external sector, however, and not exchange rate "manipulation."

RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE DEC 4 1990 0400 CONTACT: Office of Financing
December 3, 1990 202-376-4350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for \$10,048 million of 13-week bills to be issued on December 6, 1990 and mature on March 7, 1991 were accepted today (CUSIP: 912794VY7).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	7.03%	7.26%	98.223
High	7.07%	7.30%	98.213
Average	7.06%	7.29%	98.215

Tenders at the high discount rate were allotted 7%. The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	40,815	40,815
New York	25,851,070	8,151,480
Philadelphia	27,120	27,120
Cleveland	57,430	57,430
Richmond	52,195	52,195
Atlanta	33,100	31,240
Chicago	1,799,915	461,665
St. Louis	59,460	20,160
Minneapolis	10,400	10,400
Kansas City	46,010	46,010
Dallas	23,545	23,545
San Francisco	977,805	409,805
Treasury	716,495	716,495
TOTALS	\$29,695,360	\$10,048,360

<u>Type</u>	<u>Received</u>	<u>Accepted</u>
Competitive	\$25,878,030	\$6,231,030
Noncompetitive	1,593,490	1,593,490
Subtotal, Public	\$27,471,520	\$7,824,520

Federal Reserve	2,153,430	2,153,430
Foreign Official		
Institutions	70,410	70,410
TOTALS	\$29,695,360	\$10,048,360

An additional \$29,690 thousand of bills will be issued to foreign official institutions for new cash.

RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
December 3, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for \$10,000 million of 26-week bills to be issued on December 6, 1990 and mature on June 6, 1991 were accepted today (CUSIP: 912794WM2).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	6.95%	7.30%	96.486
High	6.97%	7.33%	96.476
Average	6.96%	7.31%	96.481

Tenders at the high discount rate were allotted 29%. The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	34,240	34,240
New York	31,454,465	8,975,645
Philadelphia	20,385	20,385
Cleveland	43,100	43,100
Richmond	38,190	37,480
Atlanta	27,235	26,525
Chicago	1,796,270	84,420
St. Louis	41,825	23,275
Minneapolis	7,105	7,105
Kansas City	41,485	41,485
Dallas	21,235	21,225
San Francisco	713,090	120,940
Treasury	564,555	564,555
TOTALS	\$34,803,180	\$10,000,380
<u>Type</u>		
Competitive	\$30,415,750	\$5,612,950
Noncompetitive	1,177,740	1,177,740
Subtotal, Public	\$31,593,490	\$6,790,690
Federal Reserve	2,400,000	2,400,000
Foreign Official		
Institutions	809,690	809,690
TOTALS	\$34,803,180	\$10,000,380

An additional \$277,010 thousand of bills will be issued to foreign official institutions for new cash.



P R E S S R E L E A S E

OVERSIGHT BOARD

Resolution Trust Corporation

1777 F STREET, N.W. WASHINGTON, D.C. 20232

FOR IMMEDIATE RELEASE

December 3, 1990

OB 90-68

Contact: Art Siddon
 Felisa Neuringer
 (202) 786-9672

OVERSIGHT BOARD NAMES VICE PRESIDENT OF OVERSIGHT AND EVALUATION

The Oversight Board for the Resolution Trust Corporation (RTC) announced today the appointment of Kurt W. Wierschem as vice president of oversight and evaluation, effective Dec. 16.

As vice president of oversight and evaluation, Mr. Wierschem will head the division that oversees RTC operations, including policy impact and compliance, performance standards, and progress measurement.

Mr. Wierschem comes to the Oversight Board from the RTC's Eastern Regional Office where he served as the supervisory managing agent of all conservatorship thrifts in Florida and Puerto Rico. Mr. Wierschem also was the managing agent of two seized Florida savings and loans -- CenTrust of Miami and Commonwealth Federal of Fort Lauderdale -- where he supervised the operations, asset downsizing and resolution process.

"Mr. Wierschem's first-hand knowledge of RTC's operations provides key experience essential to heading the oversight area," said Peter H. Monroe, president of the Oversight Board.

"Wierschem also will provide valuable insight into the workings of the thrift industry that he gained from years of experience in the private sector."

Prior to joining the RTC in 1989, Mr. Wierschem spent 14 years in the thrift and banking industries where he held senior positions in both operations and lending areas. His experience includes serving as Southeast division manager and senior vice president for California Federal Bank of Ft. Lauderdale from 1988 to 1989; banking division manager and executive vice president for Security First Federal of Daytona Beach from 1984 to 1988; and division manager of consumer services for Empire Savings and Loan of Denver from 1975 to 1984.

- more -

From 1973 to 1975, Mr. Wierschem was a senior loan officer for Government Employees Financial Corporation, a subsidiary of GEICO Insurance. Mr. Wierschem also worked as a collection manager for Chrysler Credit Corporation in Denver from 1971 to 1973. Before working for Chrysler, he served four years as a captain in the U.S. Air Force, including a tour in the combat zones of Southeast Asia.

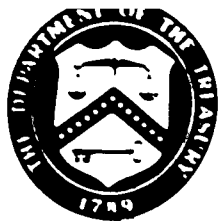
Mr. Wierschem received a bachelor's degree in business administration from Central Missouri State University in Warrensburg, Mo., in 1966 and a master's degree in management from Webster University in Webster Groves, Mo., in 1980.

Mr. Wierschem also participated in the Executive Program in Organizational Management at Stanford University's Graduate School of Business in 1981, and the Executive Program in Banking at Duke University's Fuqua Graduate School in Durham, N.C., in 1987.

The Oversight Board formulates the policy, approves the funding, and provides the general oversight of the RTC, the agency responsible for resolving the nation's failed thrifts.

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TREASURY NEWS



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

FOR RELEASE AT 4:00 P.M.
December 4, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$20,000 million, to be issued December 13, 1990. This offering will provide about \$1,775 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of \$18,216 million. Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239-1500, Monday, December 10, 1990, prior to 12:00 noon for noncompetitive tenders and prior to 1:00 p.m., Eastern Standard time, for competitive tenders. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$10,000 million, representing an additional amount of bills dated March 15, 1990, and to mature March 14, 1991 (CUSIP No. 912794 VZ 4), currently outstanding in the amount of \$19,656 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$10,000 million, to be dated December 13, 1990, and to mature June 13, 1991 (CUSIP No. 912794 WN 0).

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.

The bills will be issued for cash and in exchange for Treasury bills maturing December 13, 1990. Tenders from Federal Reserve Banks for their own account 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. Federal Reserve Banks currently hold \$1,083 million as agents for foreign and international monetary authorities, and \$4,570 million for their own account. Tenders for bills to be maintained on the book-entry records of the Department of the Treasury should be submitted on Form PD 5176-1 (for 13-week series) or Form PD 5176-2 (for 26-week series).

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 one-half hour prior to the closing time for receipt of tenders 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.

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 the issue date, in cash or other immediately-available funds or in Treasury bills maturing on that date. 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.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76, 27-76, and 2-86, as applicable, 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.

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR RELEASE AT 3:00 PM
December 6, 1990

Contact: Peter Hollenbach
(202) 376-4302

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR NOVEMBER 1990

Treasury's Bureau of the Public Debt announced activity figures for the month of November 1990, of securities within the Separate Trading of Registered Interest and Principal of Securities program, (STRIPS).

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	\$473,539,167
Held in Unstripped Form	\$359,768,677
Held in Stripped Form	\$113,770,490
Reconstituted in November	\$4,633,120

The accompanying table gives a breakdown of STRIPS activity by individual loan description. The balances in this table are subject to audit and subsequent revision. These monthly figures are included in Table VI of the Monthly Statement of the Public Debt, entitled "Holdings of Treasury Securities in Stripped Form." These can also be obtained through a recorded message on (202) 447-9873.

o0o

TABLE VI—HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, NOVEMBER 30, 1990
(In thousands)

Loan Description	Maturity Date	Principal Amount Outstanding			Reconstituted This Month ¹
		Total	Portion Held in Unstripped Form	Portion Held in Stripped Form	
11-5/8% Note C-1994	11/15/94	\$6,658,554	\$5,591,354	\$1,067,200	-0-
11-1/4% Note A-1995	2/15/95	6,933,861	6,462,021	471,840	-0-
11-1/4% Note B-1995	5/15/95	7,127,086	5,909,486	1,217,600	\$251,840
10-1/2% Note C-1995	8/15/95	7,955,901	7,293,901	662,000	-0-
9-1/2% Note D-1995	11/15/95	7,318,550	6,487,350	831,200	-0-
8-7/8% Note A-1996	2/15/96	8,575,199	8,343,199	232,000	-0-
7-3/8% Note C-1996	5/15/96	20,085,643	19,871,243	214,400	-0-
7-1/4% Note D-1996	11/15/96	20,258,810	20,023,610	235,200	-0-
8-1/2% Note A-1997	5/15/97	9,921,237	9,848,037	73,200	-0-
8-5/8% Note B-1997	8/15/97	9,362,836	9,330,836	32,000	-0-
8-7/8% Note C-1997	11/15/97	9,808,329	9,792,329	16,000	-0-
8-1/8% Note A-1998	2/15/98	9,159,068	9,158,188	2,880	-0-
9% Note B-1998	5/15/98	9,165,387	9,135,387	30,000	-0-
9-1/4% Note C-1998	8/15/98	11,342,846	11,213,846	128,800	-0-
8-7/8% Note D-1998	11/15/98	9,902,875	9,898,475	6,400	-0-
8-7/8% Note A-1999	2/15/99	9,719,828	9,716,428	3,200	-0-
9-1/8% Note B-1999	5/15/99	10,047,103	9,178,303	868,800	219,200
8% Note C-1999	8/15/99	10,163,644	10,081,644	82,000	-0-
7-7/8% Note D-1999	11/15/99	10,773,960	10,785,960	8,000	-0-
8-1/2% Note A-2000	2/15/00	10,673,033	10,673,033	-0-	-0-
8-7/8% Note B-2000	5/15/00	10,496,230	10,485,030	11,200	-0-
8-3/4% Note C-2000	8/15/00	11,080,626	11,080,626	-0-	-0-
8-1/2% Note D-2000	11/15/00	11,519,686	11,519,686	-0-	-0-
11-5/8% Bond 2004	11/15/04	8,301,806	3,706,606	4,595,200	35,200
12% Bond 2005	5/15/05	4,260,758	1,564,108	2,696,650	-0-
10-3/4% Bond 2005	8/15/05	9,289,713	8,383,313	906,400	63,200
9-3/8% Bond 2006	2/15/06	4,755,916	4,755,916	-0-	-0-
11-3/4% Bond 2009-14	11/15/14	6,005,584	1,488,784	4,536,800	-0-
11-1/4% Bond 2015	2/15/15	12,667,799	1,989,879	10,677,920	5,800
10-5/8% Bond 2015	8/15/15	7,149,916	1,674,076	5,475,840	-0-
9-7/8% Bond 2015	11/15/15	6,899,859	2,239,059	4,660,800	4,800
9-1/4% Bond 2016	2/15/16	7,268,854	6,289,254	977,600	348,800
7-1/4% Bond 2016	5/15/16	18,823,551	16,617,151	2,206,400	12,000
7-1/2% Bond 2016	11/15/16	18,864,448	12,591,008	6,273,440	981,800
8-3/4% Bond 2017	5/15/17	18,194,169	6,283,289	11,910,880	250,080
8-7/8% Bond 2017	8/15/17	14,016,858	9,293,658	4,723,200	294,400
9-1/8% Bond 2018	5/15/18	8,708,639	3,083,839	5,644,800	40,000
9% Bond 2018	11/15/18	9,032,870	1,912,470	7,120,400	111,800
8-7/8% Bond 2019	2/15/19	19,250,793	5,053,993	14,196,800	398,400
8-1/8% Bond 2019	8/15/19	20,213,832	11,528,712	8,685,120	1,015,880
8-1/2% Bond 2020	2/15/20	10,228,868	3,103,268	7,125,600	480,000
8-3/4% Bond 2020	5/15/20	10,158,883	5,568,483	4,590,400	108,920
8-3/4% Bond 2020	8/15/20	21,418,159	20,845,839	572,320	80,800
Total		473,539,167	359,788,677	113,770,489	4,833,120

¹Effective May 1, 1987, securities held in stripped form were eligible for reconstitution to their unstripped form.

Note: On the 4th workday of each month a recording of Table VI will be available after 3:00 pm. The telephone number is (202) 447-8873. The balances in this table are subject to audit and subsequent adjustments.

TREASURY NEWS



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

FOR RELEASE AT 12:00 NOON
December 7, 1990

SEC 1- CONTACT: 13
Office of Financing
202/376-4350

ASST

TREASURY'S 52-WEEK BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for approximately \$11,750 million of 364-day Treasury bills to be dated December 20, 1990, and to mature December 19, 1991 (CUSIP No. 912794 WX 8). This issue will provide about \$1,925 million of new cash for the Treasury, as the maturing 52-week bill is outstanding in the amount of \$9,814 million. Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239-1500, Thursday, December 13, 1990, prior to 12:00 noon for noncompetitive tenders and prior to 1:00 p.m., Eastern Standard time, for competitive tenders.

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.

The bills will be issued for cash and in exchange for Treasury bills maturing December 20, 1990. In addition to the maturing 52-week bills, there are \$17,969 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 currently hold \$688 million as agents for foreign and international monetary authorities, and \$6,995 million for their own account. These amounts represent the combined holdings of such accounts for the three issues of maturing bills. Tenders from Federal Reserve Banks for their own account 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 \$442 million of the original 52-week issue. Tenders for bills to be maintained on the book-entry records of the Department of the Treasury should be submitted on Form PD 5176-3.

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 one-half hour prior to the closing time for receipt of tenders 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.

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 the issue date, in cash or other immediately-available funds or in Treasury bills maturing on that date. 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.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76, 27-76, and 2-86, as applicable, 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 7, 1990

CONTACT: CHERYL CRISPEN
(202) 566-5252

UNITED STATES INCOME TAX TREATIES WITH SPAIN, FINLAND AND INDONESIA RATIFIED

The Treasury Department announced today that the procedures necessary to bring into force the income tax treaties with Spain, Finland and Indonesia have been completed.

Instruments of ratification were exchanged with Spain on November 21, 1990, bringing into force on that date the Convention between the United States of America and the Kingdom of Spain for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income. The provisions of the Convention will have effect for dividends, interest and royalties paid or credited on or after January 1, 1991 and for other income of taxable years beginning on or after January 1, 1991.

Pursuant to the terms of the Convention between the United States of America and the Republic of Finland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital, each Contracting State notified the other on November 30, 1990 that procedures for ratification had been completed. The Convention will enter into force on December 30, 1990. The provisions of the Convention shall have effect for taxes withheld at source, in the United States, for amounts paid or credited on or after February 1, 1991, and in Finland, for amounts derived on or after January 1, 1991, and for other taxes, in both Contracting States, for taxable years beginning on or after January 1, 1991.

Instruments of ratification of the Convention between the United States of America and the Republic of Indonesia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income were exchanged on November 30, 1990. The Convention will enter into force on December 30, 1990. The provisions of the Convention shall have effect for taxes withheld at source on dividends, interest and royalties, for amounts paid or credited on or after February 1, 1991 and for other taxes, for taxable years beginning on or after January 1, 1990.

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PRESS RELEASE

OVERSIGHT BOARD

Resolution Trust Corporation

1777 F STREET, N.W. WASHINGTON, D.C. 20552

FOR IMMEDIATE RELEASE

December 7, 1990

OB 90-70

Contact: Art Siddon

Felisa Neuringer

(202) 786-9672

OVERSIGHT BOARD REVISES SELLER FINANCING POLICY

The Oversight Board for the Resolution Trust Corporation (RTC) today approved a revised seller financing policy establishing a pilot program for the sale illiquid assets.

Under the program, \$7 billion of the approximately \$142 billion in assets now held by the RTC will become eligible for seller financing. This policy replaces the \$3 billion in seller financing previously approved by the Board but continues to allocate not less than \$250 million for affordable housing.

"This policy gives the RTC the additional financing authority which it requested to sell its more illiquid assets," said Peter E. Monroe, Oversight Board president.

"The goals of the program are to speed asset sales and increase the value to the taxpayers from such sales", continued Monroe. "Since this is a demonstration program, its effectiveness in achieving these goals will be carefully monitored by the Oversight Board".

The RTC will determine what assets are classified as illiquid under two criteria established by the Oversight Board. First, the RTC must determine that there is not a ready market for the asset because of the unavailability of commercial financing on acceptable terms. Second, the RTC must document that value will be maximized using seller financing instead of such alternatives as cash sale, securitization or holding the asset until markets improve.

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The new policy will apply uniformly to all RTC illiquid assets whether in conservatorship or receivership. Although it supersedes existing policy #13, adopted in October, the affordable housing provisions of the earlier policy remain in force and not less than \$250 million in seller financing will remain available for financing of affordable housing for low-and moderate-income buyers.

The loans will be structured to achieve:

- o Substantial equity commitment by the buyer to provide strong incentives for performance.
- o Maximization of value to the taxpayer.
- o Protection of asset value in the event of default.
- o Expedited sale or securitization of the loan.

The RTC will submit to the Oversight Board within 30 days a set of performance targets to assist the Oversight Board in monitoring and evaluating the effectiveness of the revised seller financing policy.

The Oversight Board, established by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), formulates the policy, approves the funding, and provides the general oversight of the Resolution Trust Corporation.

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AUCTION
RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
December 10, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for \$10,098 million of 13-week bills to be issued on December 13, 1990 and mature on March 14, 1991 were accepted today (CUSIP: 912794VZ4).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount</u> Rate	<u>Investment</u> Rate	<u>Price</u>
Low	6.84%	7.06%	98.271
High	6.86%	7.08%	98.266
Average	6.86%	7.08%	98.266

Tenders at the high discount rate were allotted 50%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	37,020	37,020
New York	30,290,905	8,050,365
Philadelphia	27,935	27,935
Cleveland	48,205	48,205
Richmond	52,765	52,765
Atlanta	35,140	34,440
Chicago	2,029,595	242,095
St. Louis	16,920	15,880
Minneapolis	10,880	10,880
Kansas City	46,740	45,240
Dallas	21,210	21,150
San Francisco	1,332,430	719,685
Treasury	<u>795,085</u>	<u>792,085</u>
TOTALS	\$34,744,830	\$10,097,745
Type		
Competitive	\$30,799,105	\$6,652,020
Noncompetitive	<u>1,635,510</u>	<u>1,635,510</u>
Subtotal, Public	\$32,434,615	\$8,287,530
Federal Reserve	2,119,755	1,619,755
Foreign Official Institutions	<u>190,460</u>	<u>190,460</u>
TOTALS	\$34,744,830	\$10,097,745

An additional \$540 thousand of bills will be issued to foreign official institutions for new cash.

AUCTION RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
December 10, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for \$10,015 million of 26-week bills to be issued on December 13, 1990 and mature on June 13, 1991 were accepted today (CUSIP: 912794WN0).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	6.72%	7.05%	96.603
High	6.74%	7.07%	96.593
Average	6.74%	7.07%	96.593

Tenders at the high discount rate were allotted 89%. The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	33,575	33,575
New York	26,022,705	8,887,945
Philadelphia	21,250	21,250
Cleveland	32,775	32,775
Richmond	136,185	36,075
Atlanta	23,485	23,485
Chicago	1,790,680	174,180
St. Louis	16,420	16,200
Minneapolis	6,385	6,385
Kansas City	40,780	40,780
Dallas	16,745	16,745
San Francisco	717,850	155,700
Treasury	569,530	569,530
TOTALS	\$29,428,365	\$10,014,625

<u>Type</u>	<u>Received</u>	<u>Accepted</u>
Competitive	\$24,963,035	\$6,049,295
Noncompetitive	1,147,690	1,147,690
Subtotal, Public	\$26,110,725	\$7,196,985
Federal Reserve	2,450,000	1,950,000
Foreign Official Institutions	867,640	867,640
TOTALS	\$29,428,365	\$10,014,625

An additional \$21,860 thousand of bills will be issued to foreign official institutions for new cash.

TREASURY NEWS



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

EMBARGOED FOR RELEASE AT NOON
December 11, 1990

CONTACT: Barbara Clay
(202) 566-5252

Treasury Releases 1990 National Treatment Study Report on Foreign Treatment of U.S. Financial Institutions

Secretary of the Treasury Nicholas F. Brady today submitted to Congress the 1990 Report on Foreign Treatment of U.S. Financial Institutions.

In transmitting the Report, Secretary Brady noted that progress in reducing barriers abroad is occurring at a varied pace, but generally not as rapidly as the Treasury would like. Significant improvements have been made in Canada and in many European countries. Only modest progress has been made in many Asian economies. Numerous Latin American countries still maintain restrictive financial systems. Thus, while notable strides have been made in opening and liberalizing many markets, the pace and degree with which this has occurred in other regions have been slow. The U.S. Treasury will continue to pursue vigorously its efforts to remove remaining obstacles to national treatment for U.S. financial firms operating abroad.

The Report updates and expands upon the National Treatment Studies completed by the U.S. Treasury in 1979, 1984, and 1986. It examines the degree of national treatment afforded U.S. financial institutions in twenty-one banking and eighteen securities markets. As required by law, the 1990 Report also addresses, for the first time, U.S. Government efforts to remove barriers in those markets and reviews the presence and treatment of foreign firms in the United States.

This Report is required by the Financial Reports Act of 1988 (Pub. L. 100-418, sec. 3601, et seq.; 22 U.S.C. 5351 et seq.).

The Report's Preface and Conclusion are attached.

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NB-1060

PREFACE

I. Financial Reports Act of 1988

The 1990 National Treatment Study is required by the Financial Reports Act of 1988 (Pub. L. 100-418, sec. 3601 et seq.; 22 U.S.C. 5351 et seq.).

The 1990 Report expands upon national treatment studies completed in 1979, 1984 and 1986. The Financial Reports Act of 1988 instructs the Secretary of the Treasury to report to the Congress every four years beginning December 1, 1990, on foreign financial institutions in the U.S. and the kinds of services they offer, and the extent to which foreign countries deny national treatment to U.S. banks and securities firms, including U.S. efforts to eliminate discrimination. Thus, the 1990 National Treatment Study will report for the first time on the presence and activities of foreign providers of financial services in the United States.

The Financial Reports Act of 1988 also instructs the President or his designee, when advantageous, to conduct discussions with the governments of countries that are major financial centers. These discussions are aimed at: (1) ensuring that U.S. banks and securities firms have access to and receive national treatment in those markets; (2) reducing or eliminating barriers to, and other distortions of, international trade in financial services; (3) achieving reasonable comparability in the types of financial services permissible for financial services companies; and (4) developing uniform supervisory standards for banking organizations and securities companies, including uniform capital standards. The 1990 National Treatment Study also reports, for the first time, on the progress of these financial market discussions.

II. Scope of the Study

The Office of the Assistant Secretary for International Affairs (OASIA) of the Treasury Department and the Office of the Comptroller of the Currency (OCC) had responsibility for the preparation and production of the entire report. (Appendix II, Acknowledgments, indicates the principal drafters and editors of individual chapters.) The National Treatment Study primarily covers major financial

markets which have significant denials of national treatment although some markets which have achieved substantial progress are also included.¹ The Treasury Department and the OCC solicited U.S. private sector views through a notice in the August 25, 1989, Federal Register.

The study covers 21 banking and 18 securities markets in 27 countries or regions. These chapters incorporate private sector remarks. The chapters were also sent to financial and monetary authorities in each market for comment and review. The final report, however, reflects the views of the U.S. Treasury Department. Sixteen of the banking markets and eight of the securities markets were reviewed in the 1986 Update. The banking markets reviewed in 1986 include Argentina, Australia, Brazil, Canada, Finland, India, Japan, the Republic of Korea, Mexico, Norway, the Philippines, Singapore, Sweden, Taiwan, Thailand, and Venezuela. New banking markets include China, the European Community, Indonesia, Turkey and the USSR. Securities markets covered in 1986 include Canada, Japan, France, the Federal Republic of Germany, Italy, the Netherlands, Switzerland, and the United Kingdom. Securities markets reviewed for the first time include Argentina, Brazil, the European Community, Finland, India, the Republic of Korea, Mexico, Singapore, Taiwan and Venezuela. The European Community chapters are based upon the actual or proposed legal framework which is to take effect on January 1, 1993.

The 1990 National Treatment Study is broader than previous studies in its coverage of the foreign presence in the U.S. market and the more detailed descriptions of foreign markets. Previous national treatment studies focused on the presence and treatment of U.S. firms in foreign markets. The 1990 study describes the structure and size of domestic markets, the regulatory regime of the host country, the presence of U.S. and other foreign firms, and the treatment accorded these firms. In addition, the U.S. section addresses a broader range of services than previously covered. It also reviews financial market talks the U.S. Treasury has had with foreign officials.

The study is current as of June 30, 1990. Where possible, developments since that date have been incorporated.

III. Earlier National Treatment Studies

This Report should be viewed as an expanded successor to the 1979, 1984 and 1986 studies. The general conclusions and individual market assessments of these three works provide an analytical framework to measure progress in achieving national treatment in banking and securities, both globally and in individual markets.

The 1979 Report, commonly referred to as the National Treatment Study, was mandated by Section 9 of the International Banking Act of 1978, which required the Secretary of the Treasury, in conjunction with the Department of State, the Federal Reserve Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, to conduct a study of the extent to which U.S. banks were granted or denied national treatment, whether by law or practice, in conducting banking operations abroad. The 1979 Report reviewed the degree of national treatment accorded U.S. banks in over 140 foreign banking markets, including in-depth analyses for 21 individual countries as well as the Andean Pact, COMECON, the European Community, and offshore banking centers.

The 1984 Update responded to a request from Senator Jake Garn, Ranking Republican of the Senate Committee on Banking, Housing, and Urban Affairs to Treasury Secretary Donald Regan for an update to the 1979 Report. Secretary Regan and Senator Garn agreed that the 1984 Update would be limited to a study of the 16 markets where U.S. banks desired an active presence but where national treatment was denied (to varying degrees) in 1979.

The 1986 Update responded to a request from Senator Garn to Treasury Secretary James A. Baker, III for an update to the 1984 Report. Senator Garn asked Secretary Baker to cover other segments of the financial services industry in addition to banking and to address electronic funds transfer systems in the study. The study reviewed progress in granting national treatment to U.S. banks in the 16 markets of the 1984 Update, as well as in two new banking markets. For the first time, the study also assessed securities markets, covering eight industrial country markets.

IV. Organization of This Study

The conclusions of the foreign banking and securities chapters, describing how U.S. financial firms have been treated abroad, have been placed at the front of this volume for the convenience of the reader.

Chapter 1 reviews the concept of national treatment including the evolution of the national treatment principle to "equality of competitive opportunity." The chapter discusses the application of national treatment policy under U.S. banking and securities laws, the Commodity Exchange Act and the key features of state insurance law. This chapter also analyzes for the first time national treatment as it applies to foreign participants in the U.S. futures and options markets and in the U.S. insurance industry.

Chapter 2 describes by nationality the origins of foreign financial institutions operating in the U.S. and the types of financial services offered by these firms.

The next section consists of chapters on 39 foreign markets. Chapters 3 through 26 cover 12 regions in which both the banking and securities industries are examined. Chapters 27 through 35 review national treatment for nine other banking markets. Chapters 36 through 41 analyze six additional securities markets.

Each banking and securities chapter consists of four main sections: Summary, Overview of the Domestic Market, Treatment of U.S. Financial Institutions and Conclusions. An additional section on Financial Market Discussions is provided where the Treasury Department has engaged in such discussions.

The Summary briefly describes treatment of foreign firms, including restrictions on entry and operations, notes recent national treatment developments and provides information regarding the presence of U.S. banks and securities firms in the particular market and the presence of banks from that market in the United States.

The Overview has two subparts:

- 0 "Domestic Banking/Securities Market" describes major features of the structure and regulatory regime of the

domestic banking system or securities markets, including the number and size of banks where available. Progress since 1986 is also noted in markets previously reviewed.

- 0 "U.S. Presence" indicates the number of U.S.-owned banks and securities firms and how they enter the market. The U.S. presence is compared with the foreign community as a whole.

The Treatment of U.S. Financial Institutions section analyzes national treatment in terms of entry and establishment, including branch, subsidiary or acquisition of equity in existing domestic entities, and operations, including any obstacles to full participation in all domestic financial market activity.

Financial Market Discussions report on efforts by the Treasury Department in selected countries to encourage foreign officials to liberalize their financial markets and provide national treatment to U.S. financial institutions.

V. Commitment to National Treatment

The United States has historically been a strong advocate of national treatment and the free international movement of goods, services, and capital. The International Banking Act of 1978 (IBA) adopted the policy of national treatment, defined as parity of treatment between foreign and domestic banks in like circumstances. In practice, the concept of national treatment has evolved from de jure national treatment to de facto equality of competitive opportunity. When implemented worldwide, national treatment, defined as equality of competitive opportunity, offers the best hope of achieving global economic efficiency and prosperity.

Although the principle of national treatment has evolved since its adoption in the IBA, the Treasury Department has traditionally opposed movement toward a reciprocity policy. Under Secretary Mulford, in testimony before the Committee on Banking, Finance and Urban Affairs of the United States House of Representatives on February 28, 1990, said:

Over the past decade, the concept of national treatment has evolved from de jure national treatment to de facto equality of competitive opportunity. It is not

sufficient simply to remove blatant discriminatory barriers. Foreign firms should effectively enjoy the same competitive opportunities as domestic firms. Despite moments of frustration and mounting pressure we have not strayed from this principle.

In testimony on April 5, 1990 before the Committee on Banking, Housing and Urban Affairs of the United States Senate, Treasury Under Secretary Mulford further elaborated, noting that:

The U.S. objection to even limited reciprocity has been the risk that reciprocity will be used and that retaliation would follow. The impact could be devastating to confidence in world financial markets and established patterns of monetary and capital flows. The President has clearly stated his opposition to measures that might restrict the flow of capital or increase protectionism -- the marketplace should be free to allocate resources.

The Administration believes that the United States has been well served by our policy of national treatment. At home, the U.S. domestic market has benefited. Abroad, some significant strides in opening foreign markets have been made, although often as a result of arduous negotiations.

Problems arise when some countries keep their borders open to foreign competition while others do not. The principle of national treatment was adopted in the IBA in the expectation that all nations would recognize the benefits of foreign competition and work toward ending discrimination. While many countries have opened their markets many have also adopted reciprocity powers.

VI. Reciprocity vs. Equality of Competitive Opportunity

As of mid-year 1990, several EC countries were adopting some type of reciprocity powers to use if necessary in order to ensure national treatment for their financial firms. In his April 1990 testimony before the Senate Banking Committee, Under Secretary Mulford noted that in this regard the U.S. was increasingly in a minority:

For example, in 1984, the OECD found that 11 of the 24 OECD members had some form of reciprocity powers available. Since then, other countries have added

reciprocity powers. With the adoption of reciprocal national treatment that will become operative on January 1, 1993, under the EC's Second Banking Directive, at least 18 out of 24 OECD members will have reciprocity powers. We have pressed our concerns about the consistency of these new reciprocity measures with OECD members.

Of the 27 countries in this study, at least 13 employ reciprocity measures in banking and/or securities. (Some of the remaining countries impose even stricter entry restrictions.)

Nevertheless, in his February 1990 testimony before the House Banking Committee, Under Secretary Mulford underscored the benefits a policy of national treatment can provide:

The policy of national treatment has attracted business, capital, talent and brain power to the United States. It has helped us to fund and develop our domestic and international financial market activity. It has helped us to press successfully for more liberal and open markets overseas. I do not believe a policy of reciprocity would have brought these benefits to the U.S. market. It could have kept foreign firms out.

However, the U.S. has also repeatedly stated that it will not hesitate to take vigorous action to promote or protect U.S. interests abroad if efforts to obtain national treatment fail. Because of the movement towards reciprocity or reciprocal national treatment in many other industrial countries and the slow progress in achieving effective national treatment, especially in some Asian and Latin American financial markets, Members of Congress have raised the need for possible tools to increase the effectiveness of achieving U.S. policy objectives within the framework of national treatment and equality of competitive opportunity.

VII. Foreign Financial Firms in the U.S.

The United States has one of the most open and competitive markets for financial services in the world. More than 719 foreign banks operate in the United States representing 284 bank families. Foreign

bank representative offices as of August 31, 1990, totalled 453, representing 59 countries. By comparison, at year-end 1989, U.S. banks had 819 branches and 553 subsidiaries in more than 70 countries.

At the end of 1989, the SEC estimated the number of registered broker-dealers in which foreign persons have equity interests of 25 percent or more at approximately 130. The total may include companies doing business in the U.S. from abroad. Approximately 200 foreign investment advisors and four foreign investment companies are registered with the SEC.

The Commodities Futures Trading Corporation indicated that as of September 1989, foreign-based registrants consisted of 46 commodity trading advisors, 18 commodity pool operators, and three introducing brokers and futures commission merchants.

U.S. insurance affiliates of foreign direct investors received approximately \$33 billion of premiums in 1987, or about 8.1 percent of total U.S. premiums, according to the Department of Commerce. The foreign market share of the U.S. insurance industry has greatly expanded since 1987, largely due to acquisitions of U.S. operations.

VIII. National Treatment at the Sub-Federal Level

The role of political subdivisions in determining which foreign banking or securities firms will be admitted to do business can complicate the ability of a country at the federal level to offer national treatment. For example, in Canada, the securities industry is regulated primarily by the provincial governments, while the Federal Government regulates other aspects of the financial industry.

Similar situations in banking exist in the United States, where some individual states limit foreign participation to less than the treatment accorded by federal law. Generally, these rules also impact domestic banks headquartered in other states. For example, branching prohibitions in most cases apply equally to foreign banks and to out-of-state U.S. banks. However, regional compacts among U.S. states have introduced elements of discrimination against

foreign banks established in one of these states by not allowing them to do business in another compact member state although domestic banks may do so.

This situation results from the dual banking system in the United States, whereby banks have the option of a state or federal charter, and states may to a large extent determine their own banking structure. However, the adoption of an explicit policy of national treatment at the federal level has led some states to adopt more liberal policies regarding foreign bank entry. Under the IBA, foreign banks may, by obtaining a federal license, enter through a branch in any state that does not expressly bar foreign bank entry. A foreign bank also has the option to enter any one state by establishing a national bank. Hence, foreign banks are not denied entry absolutely, but their form of entry depends on state law. In addition, when foreign banks have approached the Treasury Department with concrete problems in entering a particular state, Treasury officials have generally been able to gain access for those foreign banks by contacting the relevant state authorities.

IX. General Observations

U.S. Government efforts through bilateral and multilateral channels have contributed to much of the progress noted in this Report. The U.S. Government has conducted discussions bilaterally with Canada, the European Community, the Republic of Korea, Japan, Venezuela, Mexico, with authorities on Taiwan, and with officials from other countries. The U.S. has also encouraged greater liberalization and equality of competitive opportunity in banking and securities markets in multilateral fora such as the Organization for Economic Cooperation and Development (OECD), the World Bank and the International Monetary Fund.

Despite outstanding problems, important strides have been made in opening and liberalizing Japanese financial markets under the rubric of the U.S.-Japan Working Group on Financial Markets. Discussions were also important to the adoption of an approximate national treatment standard for non-EC firms in the European Community's Single Market for Financial Services. The U.S. Treasury's financial market talks with the Canadians

resulted in a financial services section of the U.S.-Canada Free Trade Agreement, which took effect January 1, 1989. This agreement, the first bilateral agreement by either side to cover the entire financial sector, removed many discriminatory practices U.S. financial institutions previously encountered in Canada.

In general, significant improvements have been made in Canada, in many individual European countries, and potentially in the European Community (EC) under the Second Banking, the Investment Services and other financial directives. In the case of the EC, the greater scope of activity and liberalization will largely benefit financial subsidiaries of U.S. firms rather than their branches.

The U.S. Government has made only modest progress in newly industrializing economies, such as the Republic of Korea and Taiwan. The Treasury Department has encouraged liberalization in financial market talks particularly with counterparts in these two regions.

One disappointing area is the lack of progress in gaining access to financial markets in most major Latin American countries. As Under Secretary Mulford noted in his April 1990 testimony before the Senate Banking Committee:

We will continue to urge financial market reforms and more liberal investment policies in Latin American countries, especially in conjunction with development bank lending. Some of these countries, such as Venezuela and Mexico, have adopted a new openness in trade which I hope will spread to their financial sectors. It is difficult to justify that major debtor countries receiving support from a variety of sources under the strengthened debt strategy should maintain financial systems that remain substantially closed to the world financial community.

U.S. Government efforts to improve treatment of U.S. banks and securities firms are supported by our efforts in the Uruguay Round to achieve a multilateral agreement on financial services with legally binding obligations calling for both market access and national treatment for financial institutions. Although OECD countries

have already made considerable progress in this area, in large part reflected in commitments through the OECD Codes of Liberalization of Capital Movements and Invisible Operations, the Uruguay Round provides an additional opportunity to pursue liberalization in a wider range of countries, including the newly industrializing economies of Asia and Latin America.

¹Under the Primary Dealers Act of 1988, the Federal Reserve Board is required to determine whether U.S. firms operating in the government debt markets of certain foreign countries have "the same competitive opportunities" as the domestic firms operating in those markets. Information provided in this study on government debt markets in foreign countries does not supercede determinations made by the Federal Reserve in accordance with the Primary Dealers Act.

CONCLUSION:

SYNOPSIS OF NATIONAL TREATMENT DEVELOPMENTS

Banking and Securities

Argentina: (B) There is potential for improvement on entry, and only small deviations from full national treatment affect established banks. Foreign banks are not legally prohibited from entry or expansion although the Argentine Government is not accepting applications for new banks, domestic or foreign, because they believe that an excessive number of banks already exists. However, foreign investors can enter the Argentine market through the purchase of insolvent local banks.

Argentina: (S) There is no legal discrimination, but U.S. firms have expressed little interest. There are no laws that specifically discriminate against foreign firm participation in the Argentine securities markets, and U.S. firms appear to receive national treatment. However, the thin, low-volume market in an uncertain economic environment has resulted in little investor interest among foreign brokerage firms.

Brazil: (B) Treatment of foreign banks has regressed with respect to entry. A significant new denial of national treatment has been erected and an old one continues, although Brazilian authorities have recently undertaken some administrative actions that may permit domestic and foreign banks to broaden their activities. Pursuant to provisions in Brazil's 1988 Constitution, Brazil has a de facto ban on the right of entry of foreign banks as new branches or subsidiaries. The prohibition remains in effect unless new laws are promulgated authorizing entry of foreign banking institutions. Those foreign banks already established in Brazil (of which three are U.S. banks) are, in turn, barred from offering basic personal savings accounts and are also prohibited from acting as the Government's agent for collection of taxes and fees.

Brazil: (S) Regression: a significant new denial of national treatment has been erected and old ones continue. Foreign firms seeking to invest in Brazil's securities markets face a de facto ban on new entry based on provisions in Brazil's 1988 Constitution. The ban on new establishment may be modified or lifted by Congressional

legislation. In addition, limits on foreign capital participation continue. Established foreign financial firms (e.g., Citibank and Chase Manhattan) are very active in securities trading and other financial services.

Canada: (B) Significant improvement in Ontario and in Federal review of applications for entry; most barriers to right of establishment and operations have been removed as a result of the U.S.-Canada Free Trade Agreement, except no branching is permitted. Canada eliminated its equivalent of the Glass-Steagall Act, opening the securities industry to banks. Consistent with the U.S.-Canada Free Trade Agreement (FTA), Canada eliminated the restrictions on establishing additional branches by U.S. bank subsidiaries and on the ability of U.S. parent banks to transfer capital to U.S. bank subsidiaries. A significant improvement, from the viewpoint of U.S. banks, has been the removal of quantitative restrictions on the growth of assets of U.S. banks in Canada (also an FTA measure). The most important remaining constraint is the inability of U.S. banks to set up branches in Canada.

Canada: (S) Significant improvement in Ontario and in Federal review of applications for entry. Ontario has permitted (for the first time in 20 years) the entry of foreign securities companies and eliminated restrictions on remaining grandfathered securities companies (of which there were two). At the federal level, grounds for blocking entry are restricted to prudential reasons. Finally, the Bank of Canada permitted six U.S. companies to become primary dealers in the Canadian government securities market.

EC: (B) Reciprocal national treatment for non-EC firms will apply under the Second Banking Directive. U.S. and other financial institutions have yet to operate under the Single Market legislation for banking which is to take effect January 1, 1993. The Second Banking Directive, the centerpiece of the legislation for banking, offers U.S. financial institutions reciprocal national treatment. (The U.S. strongly opposed an initial proposal which envisaged possible mirror-image reciprocity.) It appears unlikely that U.S. banks will be subject to sanctions under the Directive's reciprocity provision. With reciprocity remaining, however, it is not certain that the new environment will be completely free of discrimination. In

the absence of Member State implementing legislation, there is a possibility that discrimination might occur in the future. Nevertheless, the EC maintains that it is prepared to offer U.S. banks national treatment provided that EC banks receive national treatment in the U.S. The Second Banking Directive provides for substantial liberalization of the operations of U.S. bank subsidiaries established in the EC and provides grandfathering to those established before 1993.

EC: (S) Reciprocal national treatment is incorporated in the proposed Investment Services Directive. Firms engaged in securities activities authorized under the proposed Investment Services Directive will, if the directive is adopted, receive national treatment, as will banks engaged in securities activities authorized under the Second Banking Directive. Both directives provide for national treatment of subsidiaries of non-EC institutions. The reciprocal national treatment provision is nearly identical in the two directives. Where the EC perceives that effective market access in a third country is not comparable to that in the EC, but national treatment is provided, the Community may seek negotiations to obtain comparable opportunities for Community investment firms. In these circumstances, the Commission reportedly would not be authorized to take punitive action to deny entry to a U.S. securities firm. U.S. securities sold cross-border into the EC will not be treated the same as securities of an EC-chartered institution. They will be denied the benefit of reduced costs in fulfilling disclosure (prospectus) requirements for stock exchange listings or public offerings of securities that is available to EC securities. The prospectus for EC securities must be mutually recognized by other Member States once approved by one Member State. For non-EC securities, approval and hence mutual recognition is not automatic, but remains at the discretion of each Member State. Equal treatment with EC securities is subject to bilateral negotiation of "reciprocal recognition" of disclosure requirements of a non-EC state.

Mutual funds of U.S. institutions sold cross-border to the EC will be subject to national regulation. Open-end mutual funds may be set up and approved for sale within the EC on the same basis as EC mutual funds and may be offered throughout the Community by firms authorized under the Investment Services Directive; however, distribution modes would remain subject to marketing rules and practices of the individual Member States.

Finland: (B) There has been continued improvement and movement toward full national treatment although some constraints remain. Foreign banks were not allowed in Finland prior to 1979; their presence is still very small. Liberalization of Finland's financial markets, underway since 1983, has continued in recent years, with a variety of steps to encourage a market-oriented evolution of Finland's previously limited and tightly controlled financial sector. Deregulation of limits on call market interest rate spreads in 1986, followed by the introduction of CDs in 1987, contributed importantly to a well-functioning interbank money market. Nevertheless, Finland has not been a profitable market for U.S. banks. Pending legislation would permit the establishment of foreign bank branches in 1992 (presently only foreign subsidiaries are permitted); however, this legislation contains a reciprocity establishment provision. In addition, the Government has indicated its unwillingness to permit foreign acquisition of a controlling interest (more than 20 percent) in an established domestic bank.

Finland: (S) There has been significant improvement toward full national treatment. Substantial liberalization of securities markets has occurred in recent years. Regulatory changes in 1987-88 opened the way for CDs, commercial paper, and mutual funds; relaxation of capital and foreign exchange controls opened access to foreign capital markets and sharpened domestic competition. Any registered bank, foreign or domestic, may apply for a securities trading license. Pending legislation would permit direct foreign establishment of a securities firm, without the current intermediate step of establishing a Finnish banking subsidiary. The same legislation would also permit foreign branch establishment, subject, however, to a reciprocity provision.

India: (B) No improvement: significant denials of national treatment exist. Restrictions remain on entry and expansion of foreign banks. The number of foreign banks and bank branches allowed in India may be no greater than the number of Indian banks and branches which exist in that foreign country. Since India's state-owned banks find it difficult to compete abroad and therefore have few offices, reciprocity limits new entry and the expansion of U.S. and other foreign banks in India. Once in the market, however,

foreign banks receive better than national treatment in some areas and less than national treatment in others. For example, foreign banks are only required to devote 15 percent of lending to government-determined priority sectors in contrast to 40 percent of all other bank lending. As noted, however, foreign banks are severely restricted in the number of branches they may have, while domestic banks are encouraged to open new branches. Nevertheless, once in the market, a foreign bank reportedly finds it profitable.

India: (S) Major denials of national treatment exist and no significant improvements have been made. For the most part, Indian capital markets are closed to foreign investors. Indian stocks are not listed or traded in overseas markets and foreign portfolio investors cannot operate freely in Indian markets. U.S. banks have been active in merchant banking and other investment services, but are constrained by the fact that they are permitted only a limited number of branches and are restricted by Glass-Steagall from trading in foreign securities. There has been some liberalization of investment in India by nonresident Indians (NRIs), however, including the floating of the India Fund, the India Growth Fund, the India Magnum Fund (SBI/Morgan Stanley) and the IS Himalayan Fund. U.S. banks have been allowed to set up overseas funds and other programs to attract NRI investment, but these have not been given the same tax concessions as the Government-owned funds. Merrill Lynch aided Unit Trust of India in floating the India Growth Fund. Other financial services companies are becoming interested in the Indian market, but present regulations limit their scope of activity.

Japan: (B) Despite modest improvements, a variety of factors have kept the Japanese banking market difficult to penetrate and the slow pace of liberalization and deregulation has provided domestic banks with an unfair competitive advantage over foreign banks both in Japan and globally. Foreign banks continue to find Japanese markets difficult to penetrate, particularly in traditional banking functions. Japan has continued generally to provide de jure national treatment for foreign banks and in a few isolated instances better than national treatment. However, a number of factors, including regulated interest rates, restrictive operating regulations, strong ties among related firms (keiretsu), excessive compartmentalization of

financial markets and lack of transparency, effectively reduce foreign banks' competitive opportunities and in certain cases burden foreign banking firms disproportionately relative to domestic firms.

While Japan continues to liberalize domestic financial markets, the slow pace of reform has failed to keep up with developments in international financial markets. Foreign banks rely more heavily than their domestic counterparts on the domestic money markets for raising funds. While reforms have been made, money markets remain underdeveloped and unattractive due to restrictive regulations, a limited range of permitted instruments, and an array of taxes which encumber virtually every instrument.

Regulated interest rates (affecting roughly 40 percent of total bank deposits) reduce the average cost of funds to Japanese banks, in effect creating a subsidy which, on a consolidated basis, gives them an advantage over foreign banks in the Japanese market and allows them to tolerate narrower profit margins overseas, thus facilitating their expansion in these markets. The substantial amount of BOJ lending to Japanese commercial banks contributes to this funding advantage. Finally, foreign firms have experienced a lack of transparency in the GOJ regulatory process; participation in the rule-making process for new products, services and markets is limited and foreign firms are not systematically allowed early opportunity to comment on proposed rules.

Japan: (S) Full and easy access to the Japanese investor base and entire range of securities activities is still difficult despite continued efforts to open and liberalize Japanese securities markets which have resulted in greater participation by foreign firms. Japanese authorities have undertaken important market-opening measures in recent years. These include: broadening access to the government bond market (by increasing foreign firms' allocation in the underwriting syndicate in October 1988, and in April 1989 adopting a true price auction for 40 percent of 10-year issues, which was expanded to a 60 percent auction in fall 1990); increasing the number of seats on the Tokyo Stock Exchange in 1988 and 1990 (resulting in 10 seats for U.S. firms of the 25 foreign-owned seats on the 125 member exchange); introducing a variety of securities products in domestic and Euroyen markets (e.g., commercial paper) and incremental liberalization of the domestic corporate bond market (including expanding the list of eligible issuers,

introducing bond ratings and initiating shelf registration); approval of some new products such as GLOBEX (Chicago-based electronic futures trading system); establishment of futures and options markets and broadening residents' access to those markets overseas; overhaul of securities firms' capital guidelines (to eliminate practical disadvantages foreign firms had faced); and periodic efforts to improve transparency (e.g., consulting with the foreign community regarding capital guidelines and changes in the domestic equity warrant market).

Nevertheless, foreign firms argue that problems remain that prevent them from achieving a comparable degree of success achieved in other markets. For example, they cite impressive track records in investment trust management and pension fund management in other markets. Yet despite recent regulatory changes to open those markets in Japan, subsequent implementing measures and entry criteria will effectively keep foreign firms' participation minimal. In addition, foreign firms have argued that a combination of Japanese laws and practices makes difficult both the introduction of new products into Japan and the ability of Japanese investors to access foreign markets and products abroad. Foreign securities firms have also maintained that foreign exchange restrictions, which apply to domestic securities firms as well, have unfairly placed them at a disadvantage since they prohibit foreign firms from efficiently offering innovative products and services at which they excel worldwide. At the May 1990 meeting of the U.S.-Japan Working Group on Financial Markets, MOF announced a variety of measures which, when fully implemented, should relax some of the restrictions on introducing new products, accessing overseas markets and offering foreign exchange services. Foreign firms have also cited difficulties underwriting and distributing domestic bond and equity issues. Finally, they maintain that problems pertaining to transparency (including the lack of a reliable consultation process) continue to place them at a disadvantage compared to their domestic counterparts.

In general, Tokyo is viewed as a key financial center, but one in which change has not kept pace with that in other major centers. By any standard of openness, Tokyo lags substantially behind New York and London. Moreover, as new markets and opportunities arise in Japan, the ability of foreign firms to use their expertise and take advantage of

those possibilities is frequently hampered by the incremental market-opening approach Japanese authorities have adopted. Thus, despite significant steps forward, the process of creating a truly level playing field is far from complete.

Korea, Republic of: (B) Significant denials of national treatment continue, but improvements in access are promised for 1991. Nonetheless, U.S. and other foreign banks face serious discriminatory restrictions on their ability to establish and branch, obtain local currency funding, increase their capital, expand their lending operations, engage in the trust business, and have been denied access to cash dispenser and electronic funds transfer networks. While foreign banks do enjoy some privileges, existing restrictions on permissible activity and discrimination result in an overall denial of equality of competitive opportunity in the local market. Steps by the Government of Korea to reduce discrimination have generally resulted in reducing privileges formerly enjoyed by U.S. and other foreign banks, while the discriminatory restrictions remain. The ceilings on issuance of CDs and paid-in capital have been raised, but remain inadequate.

As a result, the ability of U.S. and other foreign banks to serve or expand their client base has eroded. The ROKG's tight regulatory controls over interest rates, credit allocation and foreign exchange operations apply to U.S. and Korean banks, but particularly disadvantage U.S. banks which could otherwise excel at introducing new financial products and services. Financial Policy Talks, initiated by the U.S. Treasury Department with the Korean Ministry of Finance, have produced expressions of willingness to address some of these denials of full competitive opportunity. Furthermore, the measures noted above in the November 28 communication from the MOF represent potentially useful measures to begin redressing existing problems. It will be important, however, to ensure complete articulation and follow-up on these and a range of additional significant steps before equality of competitive opportunity is realized.

Korea, Republic of: (S) Significant denials of national treatment exist and no meaningful improvement has occurred. To date, the Government's steps toward liberalization have been aimed at allowing Korean financial institutions greater freedom to exploit opportunities in

the United States and other foreign capital markets. The Government of Korea's December 1988 revised plan for liberalizing its capital markets delayed until 1991-1992 the important steps of licensing U.S. and other foreign securities firms and allowing foreign financial institutions and individuals direct access to the Korean equities market. (The Government's original 1981 liberalization plan had envisioned completing these steps by the late 1980s.) Draft criteria for licensing U.S. and other foreign securities firms released in late November appear highly restrictive, as are existing criteria for approving new foreign bank branches. Moreover, important questions, such as equity composition and permissible activities, remain unanswered at this time. Observers fear that the range of permissible market opportunities may also be severely limited when foreign securities firms and other investors are allowed to participate directly in Korea's capital markets. Expansion of the closed-end equities funds, such as the Korea Fund, is a welcome development but does not constitute a significant improvement in foreign access to Korea's equities market. However, if the Korean Government carries through with the measures cited during the November 1990 Financial Policy Talks and the final criteria for establishment are appropriately adjusted, important improvements may be introduced over the next two years.

Mexico: (B) Despite steps to permit limited minority foreign investment in Mexican banks, significant denials of national treatment continue with only slight improvement foreseen. Mexico has been closed to foreign entry since the 1930s. The nationalization of the Mexican banking industry in 1982 reinforced barriers to direct entry. Legislation is now in effect which will permit majority ownership of commercial banks by the private sector. As part of this reprivatization program, foreign investors as a group will be allowed to own up to 30 percent of the banks to be privatized. Banks tend to conduct international activity through branches and wholly owned subsidiaries. Therefore, it remains to be seen if any U.S. banks will be interested in the Mexican reprivatization program, given the remaining limitations on foreign ownership and control.

Mexico: (S) Significant denials of national treatment exist in Mexico. Foreign commercial and investment banks may not establish branches or subsidiaries, although they

may open representative offices. They may only engage in securities activities by purchasing a minority ownership of a brokerage firm or bank, or by using a local Mexican brokerage firm. Foreigners are, however, allowed to purchase most public and private sector instruments, but have limited opportunities to purchase stock directly, although they may do so indirectly through mutual funds or trusts.

Singapore: (B) Significant denials of national treatment remain in the domestic market and no improvement has been made. Foreign banks continue to hold a large share of the market and U.S. banks have a sizeable presence, but new entry by foreign banks and expansion of their operations is generally restricted. Fully licensed foreign banks have not been permitted to open new branches for several years. Depending on the type of license a foreign bank holds, it is subject to restrictions limiting its ability to compete for domestic banking business. Foreign banks have also been restricted from introducing new technology if local banks are not able to offer similar services. Singapore's offshore market, however, is significantly larger than the domestic market, and foreign institutions are granted national treatment in this market.

Singapore: (S) Despite some noteworthy improvements, important denials of national treatment still exist. As a matter of policy, Singapore has in the past strictly limited the activities of foreign firms in its securities market. The Government, however, has recently pursued measures to make Singapore a major international market and has thus recognized the need to tap the expertise of foreign firms. Since 1987, nine foreign securities firms have received permission to form joint ventures with local brokerages with equity limited to 49 percent. In October 1990, the Government announced it would allow foreign securities firms to increase their ownership to 70 percent in these nine joint ventures. When implemented, this will be a modest step forward. The foreign share of new joint ventures, however, will still be limited to 49 percent.

Taiwan: (B) While there has been some improvement, important denials of national treatment continue. On the whole, foreign banks are still denied national treatment in Taiwan. A number of steps have been taken since 1987, however, to liberalize the banking system and expand foreign banks' ability to compete on an equal footing with

domestic banks. Given the recent announcement of these liberalizations, it remains to be seen if they will result in actual progress. With the implementation of the revised Banking Law in April 1990, foreign banks are to be permitted to engage in saving and trust activities. Some restrictions have also been relaxed on the entry of new foreign banks, the establishment of additional bank branches and foreign banks' ability to accept local currency deposits. Nevertheless, discrimination against foreign banks still remains in some of these areas, particularly regarding their ability to fund themselves competitively in local currency, the limitations on branching, and the inability to establish subsidiaries. Despite discriminatory treatment, the Taiwan market has been profitable for U.S. banks.

Taiwan: (S) Significant denials of national treatment exist despite minor improvement. There has been only minor improvement in Taiwan's treatment of foreign securities firms since 1986. Foreign securities firms are far from receiving national treatment. In February 1990, the authorities for the first time gave approval for two foreign (U.S.) securities firms to establish branches under strict qualifications. Otherwise, foreign firms are only permitted limited ownership in securities operations and may not establish subsidiaries nor enter into joint ventures. In addition, Taiwan prohibits direct foreign investment in local securities, the listing of foreign securities on the local market, and the offering of underwriting services by foreign firms.

Venezuela: (B) Significant denials of national treatment exist with only minimal improvement foreseen. Venezuela places severe restraints on foreign banks' establishment and operations. However, Venezuelan officials have recently acknowledged the need to modernize the country's financial system and have indicated that a gradual opening to foreigners will be permitted. In the context of a World Bank financial sector loan, the GOV announced plans to increase the permissible level of foreign equity participation in commercial banks from 20 to 30 percent and allow foreigners to purchase bank shares from Venezuelans rather than exclusively from foreigners. In 1990, foreign firms were allowed to own 100 percent equity in domestically incorporated nonbank financial services firms. It remains to be seen how these new developments will unfold in actual practice.

Venezuela: (S) Despite mixed results in movement toward national treatment, significant restrictions remain on the establishment of bank branches and subsidiaries. Foreign access, however, is relatively easy via representative offices, which may engage in a variety of consulting and investment advisory work. Foreigners can also purchase any amount of stock on the local exchange, except in the commercial bank sector, and may purchase a seat on the exchange provided the member company contains some minority local content. Foreign corporations based in Venezuela can now issue any type of stock, bond or commercial paper on the stock exchange after meeting national requirements. Some American firms interested in securities and investment banking maintain that they have been able to engage in some of these activities, primarily, however, from offshore or by using a local Venezuelan firm. The January 1990 promulgation of Decree 727 could result in greater direct foreign access to Venezuelan capital markets through the formation of wholly owned domestic subsidiary companies of a foreign financial institution. Although the local capital market has been small historically, the opening of the market to foreigners, the issuing of Central Bank zero-coupon bonds, and the privatization of state enterprises may expand this market.

Banking

Australia: While deregulation has continued, only limited additional progress toward national treatment has been made. Following significant improvement in 1985 when trading bank licenses were offered to five U.S. banks (four were utilized and three applications were denied), little additional progress has been made toward national treatment. Additional trading bank licenses are not expected to be offered to foreign interests in the foreseeable future although more limited licenses are available. Deregulation, however, has continued. The interest rate ceiling on new housing loans was removed in 1986; the savings bank reserve asset ratio was reduced in 1987; and the distinction between savings banks and trading banks was removed in 1989. With respect to nonbank financial institutions, the 50 percent limit on foreign ownership of money market dealers was removed in 1990 and the requirement that ownership be spread among several owners was abolished.

China, People's Republic of: There has been slight improvement, but significant denials of national treatment remain. Foreign banks' entry and operations in China are severely restricted. Foreign banks can only open branches in the five special economic zones and the Pudong area. They cannot take local currency deposits or provide local currency loans. Foreign banks may open representative offices in other areas, but they cannot engage in direct profit-making business.

Indonesia: There has been significant improvement with movement toward national treatment although some denials remain. Recent reforms in the banking sector permit existing foreign bank branches to expand and new foreign entrants to establish branches, provided they form joint ventures with existing national banks. While restrictions remain on capital requirements and some lending activities, foreign banks can conduct the same banking operations as domestic banks and lend to customers throughout Indonesia. In addition, in Indonesian securities markets, recent reforms in the stock exchange and bond markets have permitted the establishment of foreign joint venture securities houses which can act as stock brokers, traders and underwriters.

Norway: Significant improvement toward full national treatment has been made although some restrictions remain. After initial deregulatory moves in the mid-1980s permitting entry of foreign banks as subsidiaries, regulatory changes in February 1990 are expected to open the banking sector by allowing Norwegian subsidiaries of foreign banks to open branches and branches of foreign banks to be established (if authorities are satisfied with depositor protection). Moreover, the Government of Norway is considering permitting the purchase of local financial institutions by foreign banks from countries that grant this right to Norwegian banks. Also, subsidiaries of foreign banks have been granted securities trading licenses, which enable them to compete on an even footing with the local banks.

Philippines: Significant denials of national treatment, especially with regard to entry, remain with no improvement. Foreign bank entry into the Philippines remains limited to minority participation in domestic financial institutions and offshore banking units, and to

representative offices in Manila. U.S. banks that were established before restrictions were introduced on new entries account for about one-sixth of the commercial banking market. They are, however, prohibited from opening new branches and offering trust accounts. Whether they will be able to establish automated teller machines off their premises remains to be seen.

Sweden: There has been important movement toward full national treatment as meaningful improvement continues. Foreign participation in Sweden's financial markets has been permitted since 1986. Following an official government report recommending extensive liberalization of Sweden's banking law (in the context of the European Community's Second Banking Directive), legislation was passed to effect these changes, including the opening of foreign bank branches. This law took effect in August 1990. In addition, by mid-1989 most remaining foreign exchange controls (dating from World War II) were abolished, thereby enabling foreign investors and institutions to acquire Swedish money market instruments and bonds. It appears there are no substantive constraints on foreign banks' activities in Sweden.

Thailand: Significant denials of national treatment remain and there has been no improvement. The treatment of foreign banks in Thailand has not changed since 1986. Foreign banks are still limited to only one branch office, and may not join a Thai ATM network nor initiate one of their own. Operations of foreign banks are also impaired by stringent loan to capital ratios based on branch capitalization and the requirement to invest their capital in low-yielding government securities. Moreover, a 10 percent withholding tax on foreign funds brought into Thailand is imposed on U.S. banks because of the absence of a bilateral tax treaty between the United States and Thailand.

Turkey: Foreign banks receive de jure national treatment. As a matter of law and policy there is no discrimination against foreign financial institutions. The establishment of banks and their operations are governed by the same laws and regulations that govern national banks. Despite equal status under the law, foreign banks are at the following financial and competitive disadvantages: the value of their capital, which is linked to legal lending limits, has been eroded by inflation; foreign banks cannot hedge

inflation through revaluation of fixed assets (as their domestic competitors can) and they cannot use their global capital to meet lending limits; and finally, as borrowers dependent on the interbank market, they pay withholding taxes which puts them at a price disadvantage when on-lending, even though this cost may be credited against annual income taxes. U.S. banks in Turkey remain profitable, but are reexamining their options, including the possibility of converting branches to subsidiaries.

USSR: While foreign banks do not currently receive national treatment, liberalization is expected in the near future. U.S. banks may not operate in the domestic banking market of the Soviet Union. They may represent foreign clients through representative offices. There is no securities market in the Soviet Union.

Securities

France: Entry is easy and national treatment is accorded in almost all instances. French authorities are trying to attract foreign financial firms to France as part of a strategy to make Paris a major European financial center: foreign firms can now own French brokerages; 25 percent of the members of the French futures market are foreign firms; and foreign firms are authorized primary dealers. With elimination of all foreign exchange controls and the comprehensive deregulation of financial markets, France has become a more attractive, albeit more competitive, financial marketplace. U.S. financial institutions can enter the French securities markets on the same conditions as French firms by establishing a subsidiary or a branch (dependent on U.S. laws). Procedurally, they are treated differently when making acquisitions, since non-EC firms (defined as firms controlled by non-EC entities) must receive prior approval from the Ministry of Finance. French authorities bar U.S. firms from lead managing domestic French franc bond issues, as a reciprocity protest against Glass-Steagall restrictions on French banks operating in the U.S.

Germany, Federal Republic of: Entry is not restricted and foreign institutions generally are treated comparably to local firms, although in practice, increasing market penetration is difficult to achieve. Some operational restrictions impact on U.S. firms' competitive positions. The two most important concerns of U.S. financial

institutions are data processing requirements and restrictions on operations of direct foreign bank branches. Branches may not participate in the federal bond underwriting consortium or lead manage foreign DM bond flotations in the FRG, although the same restrictions do not apply to subsidiaries. There are also unresolved questions concerning foreign branches' capital requirements, particularly for non-EC banks. In the federal debt market, the largest securities sector, foreign bank subsidiaries have substantially greater opportunity for the acquisition of federal bonds since the introduction of an auction technique in summer 1990. The language requirement for directors of subsidiaries also continues to concern some U.S. financial institutions in the FRG.

Italy: National treatment is generally provided and some minor improvements have been made. Although the Government of Italy (GOI) has adopted a more relaxed policy toward bank entry rules, reciprocity at establishment still applies. All foreign banks, which in Italy can engage in securities activities, can open branches throughout Italy and lending is no longer geographically limited. While capital requirements have eased for non-EC banks (lire 12.5 billion vs. previous lire 25 billion needed to establish a branch), EC banks will be relieved of this constraint consistent with the EC Second Banking Directive. Although neither foreign nor domestic corporations may operate as stockbrokers, this restriction disproportionately impacts on foreign firms. Pending legislation is expected to redress this.

Netherlands: National treatment is generally available to firms established in the Netherlands. Dutch financial markets are generally open to foreign firms. Securities regulations were eased significantly in 1986. Lead managing guilder-denominated bond issues, however, is subject to a reciprocity requirement, which does not appear to be a barrier for U.S. banks. Firms not incorporated in the Netherlands or another EC country face separate licensing requirements for securities-related activities and have limitations on their underwriting activities.

Switzerland: De jure national treatment is provided. Foreign firms are not generally constrained from doing securities business in the Swiss financial markets but some irritants cited. Despite the existence of some troublesome regulatory requirements, U.S. financial institutions have

considerable operational opportunities in Switzerland which have been pursued vigorously. The opening of the "big banks" underwriting syndicate to foreign participation is a welcome move, even though U.S. firms are not involved. Restrictions on work permits for foreigners handicap all securities firms in Switzerland as does the tax on securities transactions.

United Kingdom: In general, foreign firms enjoy full national treatment and expanded business opportunities. Major market and regulatory changes in the U.K. since 1986 have significantly widened the range of business opportunities available to both domestic and foreign firms operating in the securities industry in Britain. The FSA has been implemented in a manner that has provided de facto national treatment to American firms. No bilateral problems have arisen with respect to the reserve reciprocity provisions of the FSA. Foreign firms, which were only beginning to be admitted to the stock exchange in 1986, are now widely represented on the exchange and are members of its executive board. An American is the head of the principal securities self-regulatory agency, TSA. U.K. regulators have taken the lead in establishing bilateral supervisory understandings with the SEC, the CFTC and the U.S. banking authorities. These have facilitated the smooth authorization of U.S. firms to operate in the U.K. consistent with the authorities' supervisory responsibilities under the FSA. Regulation has become more codified, more transparent and more expensive. The opportunities provided in the U.K. have been keenly competitive, particularly since the 1987 market decline. Aggressive expansion by American firms has been followed by some contraction and consolidation over the last two years.

Dr. David C. Mulford, Treasury Under Secretary for International Affairs, will brief the press on the 1990 Report on Foreign Treatment of U.S. Financial Institutions ("National Treatment Study").

DATE: Tuesday, December 11, 1990

TIME: 11:00 a.m. EMBARGOED UNTIL 12:00 NOON.

PLACE: Room 4121, Main Treasury

Press without Treasury credentials must provide name, date of birth, social security number and organization to Treasury Public Affairs at 566-2041 no later than 5:00 p.m. on Monday.

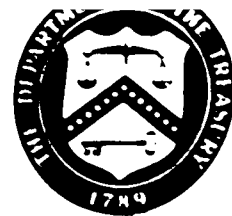
The 1990 Report on Foreign Treatment of U.S. Financial Institutions ("National Treatment Study") will be released to the press.

DATE: Tuesday, December 11, 1990

TIME: 10:00 a.m. EMBARGOED FOR RELEASE AT 12:00 NOON.

PLACE: Main Treasury, 15th Street courier entrance.

TREASURY NEWS



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

FOR IMMEDIATE RELEASE
December 11, 1990

CONTACT: Cheryl Crispen
(202) 566-5252

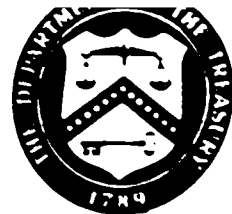
TREASURY ANNOUNCES CHANGE IN REGULAR QUARTERLY AUCTION CYCLES BEGINNING IN JANUARY 1991

The Treasury Department today announced that, beginning in January 1991, the Treasury will auction, on a monthly basis, 5-year notes for settlement on the last day of each month. They will mature five years from the date of issue. The Treasury expects to announce the regular monthly 2- and 5-year notes during the third week of each month. The announcement of regular 2- and 5-year notes is tentatively scheduled for January 16, 1991.

The Treasury will discontinue sales of 5-year, 2-month, notes that have been offered in regular quarterly auctions since February 1980. The last 5-year, 2-month note was the one auctioned on Thursday, November 28, for settlement on Monday, December 3. Furthermore, following the sale of 4-year notes in December, which is tentatively scheduled to be announced on December 19, the Treasury will discontinue sales of 4-year notes. The Treasury has offered 4-year notes in regular quarterly auctions since June 1975.

On balance, the change in Treasury's financing pattern will add four intermediate term coupon offerings each year, compared with the current quarterly offerings of 4-year and 5-year, 2-month notes. The monthly cycle of 5-year notes will have the advantage that the Treasury can raise added cash in the intermediate term maturity sector and lessen Treasury's reliance on short-term bills to finance the Federal deficit. Moreover, the end-of-month maturity dates of the 5-year notes will spread Treasury maturities more evenly throughout the year and lessen the build-up of maturing issues on Treasury's regular mid-quarter refunding dates, when 3-, 10-, and 30-year securities are offered.

TREASURY NEWS



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

FOR RELEASE AT 4:00 P.M.
December 11, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$20,000 million, to be issued December 20, 1990. This offering will provide about \$2,025 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of \$17,969 million. Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239-1500, Monday, December 17, 1990, prior to 12:00 noon for noncompetitive tenders and prior to 1:00 p.m., Eastern Standard time, for competitive tenders. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$10,000 million, representing an additional amount of bills dated September 20, 1990, and to mature March 21, 1991 (CUSIP No. 912794 WA 8), currently outstanding in the amount of \$9,252 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$10,000 million, to be dated December 20, 1990, and to mature June 20, 1991 (CUSIP No. 912794 WP 5).

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.

The bills will be issued for cash and in exchange for Treasury bills maturing December 20, 1990. In addition to the maturing 13-week and 26-week bills, there are \$9,814 million of maturing 52-week bills. The disposition of this latter amount was announced last week. Tenders from Federal Reserve Banks for their own account 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 \$226 million of the original 13-week and 26-week issues. Federal Reserve Banks currently hold \$667 million as agents for foreign and international monetary authorities, and \$6,995 million for their own account. These amounts represent the combined holdings of such accounts for the three issues of maturing bills. Tenders for bills to be maintained on the book-entry records of the Department of the Treasury should be submitted on Form PD 5176-1 (for 13-week series) or Form PD 5176-2 (for 26-week series).

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 one-half hour prior to the closing time for receipt of tenders 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.

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 the issue date, in cash or other immediately-available funds or in Treasury bills maturing on that date. 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.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76, 27-76, and 2-86, as applicable, 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.

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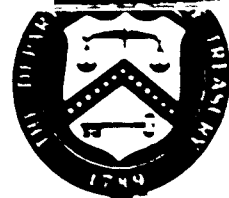
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TREASURY NEWS



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

FOR IMMEDIATE RELEASE
December 13, 1990

CONTACT: Barbara Clay
(202) 566-5252

TREASURY SETTLES CASE WITH ABC SPORTS OVER 1991 PAN AMERICAN GAMES

The Department of the Treasury today announced the settlement of a lawsuit brought by Capital Cities/ABC, Inc., regarding royalty payments to Cuba in connection with ABC Sports' U.S. broadcast of the 1991 Pan American Games from Cuba. The settlement agreement provides the terms and conditions under which ABC may make limited payments to Cuba for goods received and services provided by Cuba or Cuban nationals in connection with the Games' broadcast.

ABC's proposal for live coverage of the Games included an indirect \$6.5 million royalty payment to Cuba for the exclusive U.S. broadcast rights, an illegal transaction under the comprehensive U.S. economic embargo in place against Cuba. On that basis, ABC's application for permission to broadcast the Games was turned down by Treasury's Office of Foreign Assets Control.

In a lawsuit filed by ABC in December 1989, ABC asserted that a 1988 amendment to the Trading with the Enemy Act, which prohibited the President from regulating the importation of various informational materials, also prohibited the regulation of international telecommunications transactions in economic sanctions programs under that act.

On June 29, 1990, the U.S. District Court for the Southern District of New York ruled that telecommunications transactions were not covered by the 1988 amendment and did not violate the First Amendment. The Court also ruled that Treasury's action was a valid exercise of the President's authority to conduct foreign affairs. The lawsuit resulted in an opinion which strengthens Treasury's ability to enforce economic embargoes.

In July, ABC appealed the lower court's ruling to the U.S. Circuit Court for the Second Circuit. Settlement discussions began soon thereafter, culminating in the settlement agreement signed today. The settlement agreement is substantially similar to the terms originally offered by the Office of Foreign Assets Control to ABC Sports in the summer of 1989.

oOo

NB-1063



PRESS RELEASE

OVERSIGHT BOARD Resolution Trust Corporation

1777 F STREET, N.W. WASHINGTON, D.C. 20232

FOR IMMEDIATE RELEASE
December 12, 1990
OB 90-71

Contact: Felisa M. Neuringer
(202) 786-9672

OVERSIGHT BOARD NAMES VICE PRESIDENT OF PUBLIC AFFAIRS AND PUBLIC LIAISON

The Oversight Board for the Resolution Trust Corporation (RTC) announced today the appointment of Arthur J. Siddon as vice president of public affairs and public liaison, effective immediately.

Mr. Siddon comes to the Oversight Board from the Department of Treasury where he served as director of public affairs, overseeing media relations, since 1989. Mr. Siddon joined the Treasury Department as a senior public affairs officer in 1984.

As vice president of public affairs and public liaison, Mr. Siddon will serve as the agency's chief spokesman and head the division that communicates the Oversight Board's policies and actions to the public and the press.

"Mr. Siddon has a diverse background in the press, policy-making and finance," said Peter H. Monroe, president of the Oversight Board. "This valuable experience makes me confident that Mr. Siddon will be a great asset to the effort of communicating the Oversight Board's policies to the American public."

Before joining the Treasury Department, Mr. Siddon was the press secretary for the House of Representatives Budget Committee's minority staff from 1982 to 1984.

Mr. Siddon made his transition to the public affairs field after spending 18 years as a reporter for the Chicago Tribune. From 1972 to 1982, Mr. Siddon was the Tribune's chief congressional correspondent in Washington, D.C. Mr. Siddon served as a general assignment reporter for the Tribune in Chicago from 1964 to 1971.

Mr. Siddon received a bachelor's degree in English from Miami University in Oxford, Ohio, in 1961.

The Oversight Board formulates the policy, approves the funding, and provides the general oversight of the RTC, the agency responsible for resolving the nation's failed thrifts.

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PRESS RELEASE

OVERSIGHT BOARD

Resolution Trust Corporation

1777 F STREET, N.W. WASHINGTON, D.C. 20232

FOR IMMEDIATE RELEASE
December 17, 1990
OB 90-72

Contact: Art Siddon
Felisa Neuringer
(202) 786-9672

OVERSIGHT BOARD NAMES SENIOR ANALYSTS

The Oversight Board announced today the appointment of several senior analysts to the staff. Effective immediately, Donald Bean Jr. will serve as senior oversight specialist, Karen K. Edwards as senior policy analyst, Douglas P. Foster as senior financial analyst, and Margot Schwadron as evaluations specialist.

"The Oversight Board is fortunate to have attracted four persons of such intellectual and analytical caliber," said Peter H. Monroe, president of the Oversight Board. "Three of them will add weight to such oversight capabilities while the fourth brings considerable knowledge of thrift valuation to our policy side," he added.

As senior oversight specialist, Mr. Bean will analyze and make policy recommendations on the management and disposition of RTC's assets.

Before joining the Oversight Board, Mr. Bean was a real estate attorney with the law firm of Wolf, Block, Schorr and Solis-Cohen in Philadelphia, Pa.

Mr. Bean received a bachelor's degree in economics from the University of Chicago in 1979 where he graduated with honors. He also received a master's of business administration and law degree from the University of Chicago in 1982.

As senior policy analyst, Ms. Edwards develops overall strategies, policies and goals for the RTC's activities.

Ms. Edwards comes to the Oversight Board from serving as the head of the Washington, D.C., office of American Appraisal Associates Inc. since 1989. In 1987, Ms. Edwards co-founded the Meritas Group Inc., a financial advisory, valuation and consulting firm for banks, thrifts and investors in financial institutions in Washington, D.C., and Chapel Hill, N.C.

Ms. Edwards was vice president of corporate finance of the Washington, D.C., office of Trident Financial Corporation, an investment banking firm specializing in the thrift industry, from 1984 to 1986. She has prior experience in commercial insurance underwriting and the securities industry.

A chartered financial analyst, Ms. Edwards graduated cum laude from Carleton College in Northfield, Minn., in 1978 with a bachelor's degree in French literature. She received a master of business administration from the University of Virginia's Darden School in Charlottesville in 1984. Ms. Edwards is a member of the board of directors of the Washington Society of Investment Analysts and a member of Women in Housing and Finance.

As senior financial analyst, Mr. Foster will oversee the area of RTC's financial reporting.

Prior to working for the Oversight Board, Mr. Foster was the chief accountant in the corporate and securities division of the Office of Thrift Supervision (formerly the Federal Home Loan Bank Board) in Washington, D.C., since 1986. From 1984 to 1986, he served as a staff accountant in the division of corporate finance of the Securities and Exchange Commission in Washington, D.C.

Mr. Foster spent nearly three years as the manager of financial operations of the University of Virginia Health Services Foundation in Charlottesville. From 1978 to 1981, Mr. Foster worked as a cost manager and assistant plant controller for AVX Corporation, a high-tech manufacturing firm in Myrtle Beach, S.C., and from 1976 to 1978, he was a senior accountant for Coopers and Lybrand in New York.

Mr. Foster, a certified public accountant, received a bachelor of science degree in business administration from Washington and Lee University in Lexington, Va., in 1976.

As evaluations specialist, Ms. Schwadron will analyze and evaluate RTC's operating and financial performance.

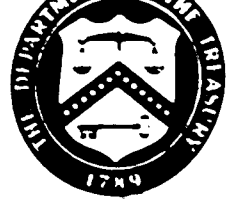
Before working for the Oversight Board, Ms. Schwadron was an associate in the mergers and acquisitions department at the investment bank of Wood Gundy Corp. in New York since 1988. She also spent the summer of 1987 as an associate in Wood Gundy's corporate finance department. From 1984 to 1986, Ms. Schwadron served as a financial analyst in the corporate finance department of Salomon Brothers Inc. in New York.

Ms. Schwadron graduated summa cum laude and Phi Beta Kappa with a bachelor of science degree in economics and computer science from Tufts University in Medford, Ma., in 1984. She received a master of business administration from the University of Pennsylvania's Wharton School in Philadelphia in 1988.

The Oversight Board formulates the policy, approves the funding, and provides the general oversight of the RTC, the agency responsible for resolving the nation's failed thrifts.

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TREASURY NEWS



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

FOR IMMEDIATE RELEASE
December 13, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY ANNOUNCES HOLIDAY AUCTION SCHEDULE

The Treasury Department will auction regular weekly 13- and 26-week bills on Friday, December 21, for settlement on Thursday, December 27, 1990. The amount to be sold will be announced on Tuesday, December 18.

The Department will auction regular weekly 13- and 26-week bills on Monday, December 31, for settlement on Thursday, January 3, 1991. Noncompetitive tenders will be received prior to 11:00 a.m. and competitive tenders will be received prior to 12:00 noon Eastern Standard time. The amount to be sold will be announced on Wednesday, December 26, prior to the deadline for submitting tenders in the 2-year note auction.

The 2- and 4-year notes to be auctioned for settlement on Monday, December 31, are scheduled to be announced on Wednesday, December 19, and auctioned on Wednesday and Thursday, December 26 and 27, respectively.

The Department will announce on Wednesday, January 2, 1991, the regular weekly 13- and 26-week bills to be auctioned on Monday, January 7, and issued on Thursday, January 10, 1991.

oOo

NB-1064

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
December 13, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Tenders for \$11,779 million of 52-week bills to be issued on December 20, 1990 and mature on December 19, 1991 were accepted today (CUSIP: 912794WX8).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	6.57%	7.01%	93.357
High	6.59%	7.03%	93.337
Average	6.58%	7.02%	93.347

Tenders at the high discount rate were allotted 45%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	20,845	20,845
New York	23,377,635	10,893,635
Philadelphia	13,680	13,680
Cleveland	22,205	22,205
Richmond	25,335	25,335
Atlanta	25,870	25,850
Chicago	1,604,535	375,785
St. Louis	18,405	13,305
Minneapolis	4,860	4,860
Kansas City	30,665	30,655
Dallas	7,085	7,085
San Francisco	806,505	156,485
Treasury	189,095	189,095
TOTALS	\$26,146,720	\$11,778,820
<u>Type</u>		
Competitive	\$22,927,350	\$8,559,450
Noncompetitive	569,870	569,870
Subtotal, Public	\$23,497,220	\$9,129,320
Federal Reserve	2,400,000	2,400,000
Foreign Official Institutions	249,500	249,500
TOTALS	\$26,146,720	\$11,778,820

TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-204

81430001713

December 13, 1990

BRYCE L. HARLOW
ASSISTANT SECRETARY (LEGISLATIVE AFFAIRS)
TO LEAVE TREASURY

Assistant Secretary for Legislative Affairs Bryce L. Harlow today announced his intention to accept a position in the private sector early next year. Mr. Harlow cited family obligations as the reason for his decision.

Secretary of the Treasury Nicholas F. Brady commended Mr. Harlow for his dedication and abilities. "Larry has been an important and valued contributor to Treasury over the last two years and he will be missed," he said. "I know all of us at Treasury wish Larry the best in the future."

Mr. Harlow has been in government for the last decade. He has served in his present position since 1989. He served the full eight years of President Reagan's Administration in several capacities, including two appointments as Special Assistant to the President for Legislative Affairs during President Reagan's second term. In his present position, Mr. Harlow has been responsible for the management of all legislative matters affecting the Department of the Treasury and has advised the Secretary on political developments and congressional relations.



PRESS RELEASE

OVERSIGHT BOARD

Resolution Trust Corporation

1777 F STREET, N.W. WASHINGTON, D.C. 20232

FOR IMMEDIATE RELEASE
December 17, 1990
OB 90-72

Contact: Art Siddon
Felisa Neuringer
(202) 786-9672

OVERSIGHT BOARD NAMES SENIOR ANALYSTS

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As senior oversight specialist, Mr. Bean will analyze and make policy recommendations on the management and disposition of RTC's assets.

Before joining the Oversight Board, Mr. Bean was a real estate attorney with the law firm of Wolf, Block, Schorr and Solis-Cohen in Philadelphia, Pa.

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Mr. Foster, a certified public accountant, received a bachelor of science degree in business administration from Washington and Lee University in Lexington, Va., in 1976.

As evaluations specialist, Ms. Schwadron will analyze and evaluate RTC's operating and financial performance.

Before working for the Oversight Board, Ms. Schwadron was an associate in the mergers and acquisitions department at the investment bank of Wood Gundy Corp. in New York since 1988. She also spent the summer of 1987 as an associate in Wood Gundy's corporate finance department. From 1984 to 1986, Ms. Schwadron served as a financial analyst in the corporate finance department of Salomon Brothers Inc. in New York.

Ms. Schwadron graduated summa cum laude and Phi Beta Kappa with a bachelor of science degree in economics and computer science from Tufts University in Medford, Ma., in 1984. She received a master of business administration from the University of Pennsylvania's Wharton School in Philadelphia in 1988.

The Oversight Board formulates the policy, approves the funding, and provides the general oversight of the RTC, the agency responsible for resolving the nation's failed thrifts.

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PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
December 17, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for \$10,014 million of 13-week bills to be issued on December 20, 1990 and mature on March 21, 1991 were accepted today (CUSIP: 912794WA8).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	6.77%	6.98%	98.289
High	6.79%	7.00%	98.284
Average	6.78%	6.99%	98.286

Tenders at the high discount rate were allotted 8%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	45,175	45,175
New York	31,950,935	8,925,900
Philadelphia	29,810	29,810
Cleveland	52,605	52,235
Richmond	82,740	82,740
Atlanta	36,195	34,355
Chicago	1,259,775	91,775
St. Louis	62,640	22,640
Minneapolis	6,650	6,650
Kansas City	45,910	41,910
Dallas	26,380	26,380
San Francisco	1,094,665	87,640
Treasury	<u>569,115</u>	<u>567,115</u>
TOTALS	\$35,262,595	\$10,014,325

<u>Type</u>		
Competitive	\$31,592,860	\$6,844,590
Noncompetitive	<u>1,460,490</u>	<u>1,460,490</u>
Subtotal, Public	\$33,053,350	\$8,305,080
Federal Reserve	2,145,180	1,645,180
Foreign Official Institutions	<u>64,065</u>	<u>64,065</u>
TOTALS	\$35,262,595	\$10,014,325

An additional \$91,535 thousand of bills will be issued to foreign official institutions for new cash.

NO
SUBS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

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FOR IMMEDIATE RELEASE
December 17, 1990

CONTACT: Office of Financing
202-376-4350

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RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for \$10,032 million of 26-week bills to be issued on December 20, 1990 and mature on June 20, 1991 were accepted today (CUSIP: 912794WP5).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	6.75%	7.08%	96.588
High	6.77%	7.11%	96.577
Average	6.77%	7.11%	96.577

Tenders at the high discount rate were allotted 81%.
The investment rate is the equivalent coupon-issue yield.

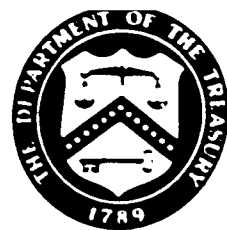
TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	34,320	34,320
New York	25,090,860	8,928,870
Philadelphia	14,225	14,225
Cleveland	35,590	35,590
Richmond	40,290	40,290
Atlanta	26,780	26,780
Chicago	1,291,485	223,735
St. Louis	34,315	14,315
Minneapolis	8,735	8,735
Kansas City	39,110	39,110
Dallas	23,740	23,740
San Francisco	811,965	179,615
Treasury	462,735	462,735
TOTALS	\$27,914,150	\$10,032,060

<u>Type</u>		
Competitive	\$23,985,315	\$6,603,225
Noncompetitive	1,142,500	1,142,500
Subtotal, Public	\$25,127,815	\$7,745,725
Federal Reserve	2,450,000	1,950,000
Foreign Official		
Institutions	336,335	336,335
TOTALS	\$27,914,150	\$10,032,060

An additional \$464,865 thousand of bills will be issued to foreign official institutions for new cash.

TREASURY NEWS



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

FOR RELEASE AT 4:00 P.M.
December 18, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$20,000 million, to be issued December 27, 1990. This offering will result in a paydown for the Treasury of about \$10,525 million, as the maturing bills total \$30,523 million (including the 69-day cash management bills issued October 19, 1990, in the amount of \$12,544 million). Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239-1500, Friday, December 21, 1990, prior to 12:00 noon for noncompetitive tenders and prior to 1:00 p.m., Eastern Standard time, for competitive tenders. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$10,000 million, representing an additional amount of bills dated September 27, 1990, and to mature March 28, 1991 (CUSIP No. 912794 WB 6), currently outstanding in the amount of \$9,224 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately \$10,000 million, to be dated December 27, 1990, and to mature June 27, 1991 (CUSIP No. 912794 WQ 3).

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.

The bills will be issued for cash and in exchange for Treasury bills maturing December 27, 1990. Tenders from Federal Reserve Banks for their own account 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. Federal Reserve Banks currently hold \$2,602 million as agents for foreign and international monetary authorities, and \$3,820 million for their own account. These amounts represent the combined holdings of such accounts for the three issues of maturing bills. Tenders for bills to be maintained on the book-entry records of the Department of the Treasury should be submitted on Form PD 5176-1 (for 13-week series) or Form PD 5176-2 (for 26-week series).

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 one-half hour prior to the closing time for receipt of tenders 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.

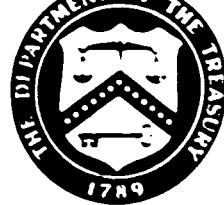
Public announcement will be made by the Department of the Treasury of the amount and yield range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in 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 the issue date, in cash or other immediately-available funds or in Treasury bills maturing on that date. 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.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76, 27-76, and 2-86, as applicable, 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

8620000027.9

FOR RELEASE AT 4:00 P.M.
December 19, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY TO AUCTION 2-YEAR AND 4-YEAR NOTES TOTALING \$21,000 MILLION

The Treasury will auction \$12,500 million of 2-year notes and \$8,500 million of 4-year notes to refund \$18,032 million of securities maturing December 31, 1990, and to raise about \$2,975 million new cash. The \$18,032 million of maturing securities are those held by the public, including \$1,242 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities.

The Treasury Department will discontinue issuing 4-year notes following the sale announced today. As announced on December 11, the Treasury Department will issue 5-year notes monthly, beginning in January 1991.

The \$21,000 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 prices of accepted competitive tenders.

In addition to the public holdings, Federal Reserve Banks, for their own accounts, hold \$1,368 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 offerings and in the official offering circulars.

oOo

Attachment

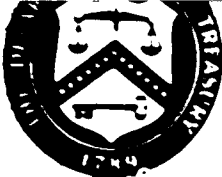
NB-1070

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC
OF 2-YEAR AND 4-YEAR NOTES TO BE ISSUED DECEMBER 31, 1990

December 19, 1990

<u>Amount Offered to the Public</u> ...	\$12,500 million	\$8,500 million
<u>Description of Security:</u>		
Term and type of security	2-year notes	4-year notes
Series and CUSIP designation ...	Series AH-1992 (CUSIP No. 912827 ZR 6)	Series Q-1994 (CUSIP No. 912827 ZS 4)
Maturity date	December 31, 1992	December 31, 1994
Interest Rate	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
Premium or discount	To be determined after auction	To be determined after auction
Interest payment dates	June 30 and December 31	June 30 and December 31
Minimum denomination available .	\$5,000	\$1,000
<u>Terms of Sale:</u>		
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 aver- age price up to \$1,000,000	Accepted in full at the aver- age price up to \$1,000,000
Accrued interest payable by investor	None	None
<u>Payment Terms:</u>		
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
<u>Key Dates:</u>		
Receipt of tenders	Wednesday, December 26, 1990	Thursday, December 27, 1990
a) Noncompetitive	prior to 12:00 noon, EST	prior to 12:00 noon, EST
b) Competitive	prior to 1:00 p.m., EST	prior to 1:00 p.m., EST
Settlement (final payment due from institutions):		
a) funds immediately available to the Treasury ...	Monday, December 31, 1990	Monday, December 31, 1990
b) readily-collectible check ...	Thursday, December 27, 1990	Thursday, December 27, 1990

TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-204

FOR IMMEDIATE RELEASE ⁶¹⁵⁵⁰⁰²⁴³⁰ December 20, 1990

Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of November 1990.

As indicated in this table, U.S. reserve assets amounted to \$83,059 million at the end of November, up from \$82,852 million in October.

U.S. Reserve Assets (in millions of dollars)

End of Month	Total Reserve Assets	Gold Stock <u>1/</u>	Special Drawing Rights <u>2/3/</u>	Foreign Currencies <u>4/</u>	Reserve Position in IMF <u>2/</u>
<u>1990</u>					
October	82,852	11,060	10,876	51,850	9,066
November	83,059	11,059	11,059	52,070	8,871

1/ Valued at \$42.2222 per fine troy ounce.

2/ Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

3/ Includes allocations of SDRs by the IMF plus transactions in SDRs.

4/ Valued at current market exchange rates.



PRESS RELEASE

OVERSIGHT BOARD

Resolution Trust Corporation

1777 F STREET, N.W. WASHINGTON, D.C. 20232

FOR IMMEDIATE RELEASE
December 21, 1990
OB 90-73

Contact: Art Siddon
Felisa Neuringer
(202) 786-9672

OVERSIGHT BOARD NAMES GENERAL COUNSEL

The Oversight Board for the Resolution Trust Corporation (RTC) announced today the appointment of Richard H. Farina as general counsel to the Oversight Board, effective Jan. 2, 1991.

As general counsel, Mr. Farina will head the division that provides legal advice, guidance and direction to the Oversight Board on a full range of activities.

"Mr. Farina's extensive experience in corporate law and knowledge of depository institutions as well as his impressive academic record will allow him to provide sound legal advice to the Oversight Board," said Peter H. Monroe, president of the Oversight Board.

Prior to joining the Oversight Board, Mr. Farina practiced corporate law as a partner in the Washington, D.C., office of Reed Smith Shaw & McClay. Before working for Reed Smith, Mr. Farina practiced law with Covington & Burling in Washington, D.C., and with Dechert Price & Rhoads in Washington, D.C., and Philadelphia, Pa.

Mr. Farina received a bachelor's degree and a law degree from the University of Notre Dame. He was editor-in-chief of Notre Dame's Law Review. Mr. Farina also spent a year as a fellow at the University of Pennsylvania Center for Study of Financial Institutions in Philadelphia. He is a member of the bars of the District of Columbia, Pennsylvania and Michigan.

The Oversight Board formulates the policy, approves the funding, and provides the general oversight of the RTC, the agency responsible for resolving the nation's failed thrifts.

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PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
December 21, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for \$10,008 million of 13-week bills to be issued on December 27, 1990 and mature on March 28, 1991 were accepted today (CUSIP: 912794WB6).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	6.48%	6.68%	98.362
High	6.55%	6.75%	98.344
Average	6.52%	6.72%	98.352

\$1,000,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 42%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	31,045	31,045
New York	19,289,765	8,119,765
Philadelphia	26,565	26,565
Cleveland	49,580	49,580
Richmond	43,205	43,205
Atlanta	35,080	35,080
Chicago	1,166,810	576,810
St. Louis	11,185	11,185
Minneapolis	8,685	8,685
Kansas City	39,945	39,945
Dallas	23,120	23,120
San Francisco	892,165	313,165
Treasury	729,575	729,575
TOTALS	<u>\$22,346,725</u>	<u>\$10,007,725</u>
Type		
Competitive	\$18,759,280	\$6,920,280
Noncompetitive	<u>1,556,135</u>	<u>1,556,135</u>
Subtotal, Public	\$20,315,415	\$8,476,415
Federal Reserve	1,770,210	1,270,210
Foreign Official Institutions	<u>261,100</u>	<u>261,100</u>
TOTALS	<u>\$22,346,725</u>	<u>\$10,007,725</u>

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
December 21, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for \$10,021 million of 26-week bills to be issued on December 27, 1990 and mature on June 27, 1991 were accepted today (CUSIP: 912794WQ3).

RANGE OF ACCEPTED COMPETITIVE BIDS:

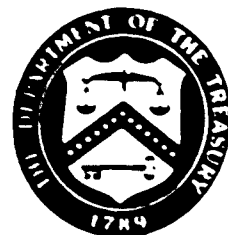
	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	6.52%	6.84%	96.704
High	6.61%	6.93%	96.658
Average	6.57%	6.89%	96.679

Tenders at the high discount rate were allotted 4%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	26,835	26,835
New York	17,149,885	8,235,885
Philadelphia	19,535	19,535
Cleveland	31,165	31,165
Richmond	30,690	30,690
Atlanta	33,170	33,170
Chicago	1,033,650	683,650
St. Louis	11,205	11,205
Minneapolis	9,085	9,085
Kansas City	37,240	37,240
Dallas	13,555	13,555
San Francisco	936,395	386,395
Treasury	<u>502,615</u>	<u>502,615</u>
TOTALS	\$19,835,025	\$10,021,025
Type		
Competitive	\$15,642,695	\$6,328,695
Noncompetitive	<u>1,025,430</u>	<u>1,025,430</u>
Subtotal, Public	\$16,668,125	\$7,354,125
Federal Reserve	2,050,000	1,550,000
Foreign Official Institutions	<u>1,116,900</u>	<u>1,116,900</u>
TOTALS	\$19,835,025	\$10,021,025

TREASURY NEWS



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

FOR RELEASE AT 9:00 A.M.
December 26, 1990

CONTACT: Office of Financing
202/376-4350

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately \$20,000 million, to be issued January 3, 1991. This offering will provide about \$1,525 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of \$18,471 million. Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20239-1500, Monday, December 31, 1990, prior to 11:00 a.m. for noncompetitive tenders and prior to 12:00 noon Eastern Standard time, for competitive tenders. The two series offered are as follows:

91-day bills (to maturity date) for approximately \$10,000 million, representing an additional amount of bills dated October 4, 1990, and to mature April 4, 1991 (CUSIP No. 912794 WC 4), currently outstanding in the amount of \$9,391 million, the additional and original bills to be freely interchangeable.

183-day bills (to maturity date) for approximately \$10,000 million, representing an additional amount of bills dated July 5, 1990, and to mature July 5, 1991 (CUSIP No. 912794 WR 1), currently outstanding in the amount of \$10,553 million, the additional and original bills to be freely interchangeable.

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.

The bills will be issued for cash and in exchange for Treasury bills maturing January 3, 1991. Tenders from Federal Reserve Banks for their own account 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. Federal Reserve Banks currently hold \$802 million as agents for foreign and international monetary authorities, and \$4,650 million for their own account. Tenders for bills to be maintained on the book-entry records of the Department of the Treasury should be submitted on Form PD 5176-1 (for 13-week series) or Form PD 5176-2 (for 26-week series).

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 one-half hour prior to the closing time for receipt of tenders 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.

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 the issue date, in cash or other immediately-available funds or in Treasury bills maturing on that date. 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.

If a bill is purchased at issue, and is held to maturity, the amount of discount is reportable as ordinary income on the Federal income tax return of the owner for the year in which the bill matures. 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, any gain in excess of the basis is treated as ordinary income.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76, 27-76, and 2-86, as applicable, 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.

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PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
December 26, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for \$12,515 million of 2-year notes, Series AH-1992, to be issued on December 31, 1990 and mature on December 31, 1992 were accepted today (CUSIP: 912827ZR6).

The interest rate on the notes will be 7 1/4%. The range of accepted bids and corresponding prices are as follows:

	<u>Yield</u>	<u>Price</u>
Low	7.30%	99.908
High	7.33%	99.854
Average	7.32%	99.872

Tenders at the high yield were allotted 20%.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	43,065	43,065
New York	35,672,925	11,380,875
Philadelphia	29,800	29,800
Cleveland	51,795	51,795
Richmond	96,060	77,060
Atlanta	40,810	36,210
Chicago	1,818,720	365,520
St. Louis	74,945	64,545
Minneapolis	23,175	23,175
Kansas City	87,410	85,580
Dallas	14,840	14,840
San Francisco	663,895	77,495
Treasury	264,560	264,560
TOTALS	\$38,882,000	\$12,514,520

The \$12,515 million of accepted tenders includes \$1,110 million of noncompetitive tenders and \$11,405 million of competitive tenders from the public.

In addition, \$750 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional \$900 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.



P R E S S R E L E A S E

OVERSIGHT BOARD

Resolution Trust Corporation

1777 F STREET, N.W. WASHINGTON, D.C. 20232

FOR IMMEDIATE RELEASE

December 26, 1990

OB 90-74

Contact: Brian Harrington

Felisa Neuringer

(202) 786-9672

NATIONAL ADVISORY BOARD TO HOLD OPEN MEETING

The members of the National Advisory Board will hold an open meeting in Washington, D.C., on Thursday, January 10, 1991, from 1 to 4 p.m.

The meeting, open to all members of the public and press, will be held in the General Services Administration auditorium at 18th and F Streets, N.W., Washington, D.C.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) required that the Oversight Board establish one national and six regional advisory boards to provide advice to the Resolution Trust Corporation (RTC) and the Oversight Board on the policies and programs for the disposition of real estate of the nation's failed thrifts.

The National Advisory Board meets in Washington, D.C., to advise the Oversight Board and the RTC on the status of the real estate sales efforts of the RTC in each region. The National Advisory Board is comprised of the national chairman and the six regional chairmen.

"The Advisory Boards provide a key link between the RTC and real estate markets," said Peter H. Monroe, President of the Oversight Board. "For example, their recommendations led to the RTC's new \$7 billion seller financing program for such hard-to-sell assets as real estate," Monroe added.

- more -

During upcoming meeting, the regional chairmen will report on the issues discussed at the second series of Regional Advisory Board meetings held around the country from October 4 to November 8, 1990. The National Advisory Board will discuss key topics that emerged from the regional meetings such as seller financing, the Standard Asset Management and Disposition Agreement, the Real Estate Owned information management system, RTC's foreclosure process, affordable housing financing terms, and tax incentives for distressed property. Also, RTC staff will give a computerized demonstration of the real estate inventory.

Agenda items for the next series of regional meetings to be held in January and February also will be determined.

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PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239



FOR IMMEDIATE RELEASE
December 27, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 4-YEAR NOTES

Tenders for \$8,569 million of 4-year notes, Series Q-1994, to be issued on December 31, 1990 and mature on December 31, 1994 were accepted today (CUSIP: 912827ZS4).

The interest rate on the notes will be 7 5/8%. The range of accepted bids and corresponding prices are as follows:

	<u>Yield</u>	<u>Price</u>
Low	7.66%	99.881
High	7.67%	99.847
Average	7.66%	99.881

Tenders at the high yield were allotted 51%.

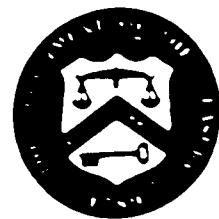
TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	21,624	21,624
New York	20,289,359	7,853,044
Philadelphia	15,665	15,665
Cleveland	28,878	28,878
Richmond	123,617	68,037
Atlanta	27,956	25,466
Chicago	1,266,767	374,797
St. Louis	35,889	24,909
Minneapolis	11,220	11,217
Kansas City	34,386	34,386
Dallas	6,441	6,439
San Francisco	569,819	57,364
Treasury	<u>47,481</u>	<u>47,481</u>
TOTALS	\$22,479,102	\$8,569,307

The \$8,569 million of accepted tenders includes \$643 million of noncompetitive tenders and \$7,926 million of competitive tenders from the public.

In addition, \$614 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional \$468 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.

TREASURY NEWS



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

FOR IMMEDIATE RELEASE
December 27, 1990

CONTACT: Cheryl Crispen
(202) 566-5252

UNITED STATES AND GUAM AMEND TAX IMPLEMENTATION AGREEMENT

The Treasury Department announced today that the United States and Guam have amended the tax implementation agreement to exchange tax information and provide mutual assistance in tax matters. The original agreement, which was executed by the United States on April 5, 1989, was to be effective on January 1, 1991. The amendment announced today will delay this effective date until a future exchange of notes by the United States and Guam.

The tax implementation agreement is similar to agreements signed by the United States with the Virgin Islands in 1987 and with American Samoa in 1988. The United States is continuing to discuss entering a tax implementation agreement with the Commonwealth of the Northern Mariana Islands.

Sections 1271 and 1277 of the Tax Reform Act of 1986 made certain provisions effective for these possessions upon the effective date of a tax implementation agreement. The amendment to Guam's agreement will delay the application of these 1986 provisions in Guam until a future date mutually agreed upon by the United States and Guam. Prior to that date, the tax system in Guam will remain linked to the United States Internal Revenue Code (the "mirror system" of taxation).

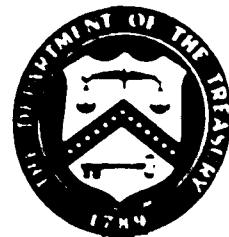
The Guam Tax Code Commission has been formed by the government of Guam to plan and implement a new tax system for Guam to replace the current mirror system. The Commission requested the postponement of the effective date of the tax implementation agreement in order to provide for an orderly transition to the new tax system. The amendment also adds the Commission as a signatory to the tax implementation agreement.

Copies of the amendment may be obtained by contacting the Treasury Department, Office of Public Affairs at (202) 566-2041.

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NB-1077

TREASURY NEWS



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

FOR IMMEDIATE RELEASE

CONTACT: Cheryl Crispen
(202) 566-5252

December 31, 1990

New Income Tax Convention Enters into Force with the Republic of India

The Treasury Department today announced that the U.S.-India Income Tax Convention and accompanying Protocol ("the treaty") entered into force on December 18, 1990. On that date, the United States notified the Republic of India that legal procedures required to bring the treaty into force were completed on November 13, 1990, when President Bush signed the instrument of ratification. The United States Senate approved the treaty on September 18, 1990. The Republic of India previously notified the United States of its completion of legal procedures in the form of a diplomatic note from the Ministry of External Affairs to the U.S. Embassy in New Delhi on January 24, 1990.

In the United States, the treaty will take effect January 1, 1991 with respect to taxes withheld at source. With respect to other taxes, the treaty will take effect for taxable years beginning on or after January 1, 1991. In the Republic of India, the treaty will take effect for income arising in any taxable year beginning on or after April 1, 1991.

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NB-1078

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
December 31, 1990

CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for \$10,018 million of 13-week bills to be issued on January 3, 1991 and mature on April 4, 1991 were accepted today (CUSIP: 912794WC4).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	6.48%	6.68%	98.362
High	6.53%	6.73%	98.349
Average	6.52%	6.72%	98.352

\$2,290,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 67%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	35,835	35,835
New York	24,899,525	8,358,545
Philadelphia	24,045	24,045
Cleveland	51,215	51,215
Richmond	48,530	48,530
Atlanta	39,685	39,685
Chicago	764,825	106,575
St. Louis	58,235	24,935
Minneapolis	4,490	4,490
Kansas City	44,300	44,300
Dallas	28,445	28,445
San Francisco	838,990	455,990
Treasury	795,445	795,445
TOTALS	\$27,633,565	\$10,018,035
<u>Type</u>		
Competitive	\$23,481,035	\$6,365,505
Noncompetitive	1,653,270	1,653,270
Subtotal, Public	\$25,134,305	\$8,018,775
Federal Reserve	2,349,835	1,849,835
Foreign Official Institutions	149,425	149,425
TOTALS	\$27,633,565	\$10,018,035

An additional \$1,075 thousand of bills will be issued to foreign official institutions for new cash.

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
December 31, 1990

JAN 01 06 1991
CONTACT: Office of Financing
202-376-4350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for \$10,043 million of 26-week bills to be issued on January 3, 1991 and mature on July 5, 1991 were accepted today (CUSIP: 912794WR1).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	6.45%	6.76%	96.721
High	6.50%	6.82%	96.696
Average	6.48%	6.79%	96.706

Tenders at the high discount rate were allotted 6%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

<u>Location</u>	<u>Received</u>	<u>Accepted</u>
Boston	47,575	47,575
New York	27,252,220	9,029,720
Philadelphia	17,870	17,870
Cleveland	44,195	44,195
Richmond	41,340	41,340
Atlanta	29,795	23,090
Chicago	883,380	70,880
St. Louis	36,315	16,315
Minneapolis	7,265	7,265
Kansas City	45,445	43,565
Dallas	16,820	16,820
San Francisco	636,940	86,940
Treasury	597,515	597,515
TOTALS	\$29,656,675	\$10,043,090
<u>Type</u>		
Competitive	\$25,585,715	\$6,472,130
Noncompetitive	1,241,185	1,241,185
Subtotal, Public	\$26,826,900	\$7,713,315
Federal Reserve	2,300,000	1,800,000
Foreign Official Institutions	529,775	529,775
TOTALS	\$29,656,675	\$10,043,090

An additional \$15,025 thousand of bills will be issued to foreign official institutions for new cash.