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PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
May 3, 1999

Contact: Peter Hollenbach
(202) 691-3502

BUREAU OF THE PUBLIC DEBT ANNOUNCES SERIES EE SAVINGS BOND RATE FOR MAY THROUGH OCTOBER 1999

The Bureau of the Public Debt announced today the rate for Series EE savings bonds issued on or after May 1, 1997.

SERIES EE SAVINGS BOND RATE - 4.31%

The 4.31 percent Series EE savings bond rate is in effect for bonds issued on or after May 1, 1997, that enter semiannual earnings periods from May through October 1999. The rate is 90 percent of the average 5-year Treasury securities yields for the preceding six months. A new interest rate is announced effective each May 1 and November 1. A 3-month interest penalty is applied to these bonds if redeemed before five years. The Series EE bonds on sale now increase in value monthly. The bond's interest rate is compounded semiannually.

SERIES EE BONDS ISSUED BEFORE MAY 1997

The 3.91 percent Short-Term Series EE savings bond rate is in effect for bonds issued from May 1995 through April 1997 for bonds that enter semiannual earnings periods from May through October 1999. See the table on the back of this release for earnings on Series EE bonds issued from January 1980.

MATURED SERIES E SAVINGS BONDS AND SAVINGS NOTES

Series E savings bonds and Savings Notes continue to reach final maturity and stop earning interest. Bonds issued from May 1941 through April 1959 along with those issued from December 1965 through April 1969, have stopped earning interest. Savings Notes, issued from May 1967 through April 1969, have stopped earning interest. Bonds and Notes with issue dates shown here will reach final maturity in the next six months.

Bond/Note Issue Dates	**Bonds /Notes Stop Earning Interest**
May 1959 through October 1959	May 1999 through October 1999
May 1969 through October 1969	May 1999 through October 1999

MORE INFORMATION

he latest *United States Savings Bonds/Notes Earnings Report* and other useful information about savings bonds is available t Public Debt's Internet website at ***www.savingsbonds.gov***. Download the new Savings Bond Wizard ™ version 2.01 an asy to use program that lets you keep track of all your savings bonds, calculate the value of your portfolio, and more. The ible on the back of this release shows actual yields for Series EE bonds. The Earnings Report, which contains rate and yield formation for Series E&EE bonds and Savings Notes, is also available by mail from Public Debt. Send a postcard asking or "Earnings Report" to Bureau of the Public Debt, 200 Third Street, Parkersburg, WV 26106-1328.

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3120

VALUES AND YIELDS FOR $100 SERIES EE BONDS
May 1999 Thru April 2000

The table shows semiannual values for $100 Series EE bonds*. Values for other denominations are proportional to the values shown. For example, the value of a $50 bond is one-half the amount shown and the value of a $500 bond is five times the amount shown. The Current Earnings column shows the annual yield that the bonds will earn during the period indicated. The Earnings From Issue is the bond's yield from its issue date to the date shown or date adjusted as shown in the footnotes.

	Earning Period		Earnings to Date when held 5 years ***				Redemption Value ***	
Series EE Bond Issue Dates	Start Date **	End Date **	Start Value	End Value	Current Earnings	Earnings From Issue	Start Value	End Value
5/1999 - 10/1999	5/1/99	11/1/99	50.00	51.08	4.32%	4.32%	50.00	50.52
11/1998 - 4/1999	5/1/99	11/1/99	51.16	52.28	4.38%	4.51%	50.56	51.72
5/1998 - 10/1998	5/1/99	11/1/99	52.44	53.56	4.27%	4.64%	51.88	53.00
11/1997 - 4/1998	5/1/99	11/1/99	53.92	55.08	4.30%	4.90%	53.32	54.48
5/1997 - 10/1997	5/1/99	11/1/99	55.44	56.64	4.33%	5.05%	54.80	56.04

	Earning Period					Earnings
Series EE Bond Issue Dates	Start Date **	End Date **	Start Value	End Value	Current Earnings	from Issue
11/1996 - 4/1997	5/1/99	11/1/99	55.84	56.92	3.87%	4.37%
5/1996 - 10/1996	5/1/99	11/1/99	57.00	58.12	3.93%	4.35%
11/1995 - 4/1996	5/1/99	11/1/99	58.40	59.56	3.97%	4.42%
5/1995 - 10/1995	5/1/99	11/1/99	59.92	61.08	3.87%	4.50%
11/1994 - 4/1995	5/1/99	11/1/99	59.76	64.52	15.93%	5.16%
5/1994 - 10/1994	5/1/99	11/1/99	64.72	66.04	4.08%	5.12%
11/1993 - 4/1994	5/1/99	11/1/99	66.08	67.48	4.24%	5.06%
5/1993 - 10/1993	5/1/99	11/1/99	67.64	69.08	4.26%	5.04%
3/1993 - 4/1993	9/1/99	3/1/00	69.40	70.80	4.03%	5.03%
11/1992 - 2/1993	5/1/99	11/1/99	73.44	75.64	5.99%	6.00%
5/1992 - 10/1992	5/1/99	11/1/99	75.64	77.92	6.03%	6.00%
11/1991 - 4/1992	5/1/99	11/1/99	77.92	80.24	5.95%	6.00%
5/1991 - 10/1991	5/1/99	11/1/99	80.24	82.68	6.08%	6.01%
11/1990 - 4/1991	5/1/99	11/1/99	82.68	85.16	6.00%	6.01%
5/1990 - 10/1990	5/1/99	11/1/99	85.16	87.68	5.92%	6.00%
11/1989 - 4/1990	5/1/99	11/1/99	87.68	90.32	6.02%	6.00%
5/1989 - 10/1989	5/1/99	11/1/99	90.32	93.04	6.02%	6.00%
11/1988 - 4/1989	5/1/99	11/1/99	93.04	95.84	6.02%	6.00%
5/1988 - 10/1988	5/1/99	11/1/99	95.84	98.68	5.93%	6.00%
11/1987 - 4/1988	5/1/99	11/1/99	98.68	101.64	6.00%	6.00%
5/1987 - 10/1987	5/1/99	11/1/99	101.64	103.68	4.01%	5.92%
11/1986 - 4/1987	5/1/99	11/1/99	103.68	105.76	4.01%	5.85%
5/1986 - 10/1986	5/1/99	11/1/99	117.64	120.00	4.01%	6.59%
11/1985 - 4/1986	5/1/99	11/1/99	120.00	122.40	4.00%	6.50%
5/1985 - 10/1985	5/1/99	11/1/99	122.40	124.84	3.99%	6.41%
11/1984 - 4/1985	5/1/99	11/1/99	124.84	127.32	3.97%	6.33%
5/1984 - 10/1984	5/1/99	11/1/99	129.20	131.76	3.96%	6.35%
11/1983 - 4/1984	5/1/99	11/1/99	135.40	138.08	3.96%	6.45%
5/1983 - 10/1983	5/1/99	11/1/99	141.12	144.16	4.31%	6.52%
3/1983 - 4/1983	9/1/99	3/1/00	149.04	152.04	4.03%	6.65%
11/1982 - 2/1983	5/1/99	11/1/99	153.40	158.00	6.00%	6.88%
5/1982 - 10/1982	5/1/99	11/1/99	172.16	177.32	5.99%	7.37%
11/1981 - 4/1982	5/1/99	11/1/99	177.32	182.64	6.00%	7.33%
5/1981 - 10/1981	5/1/99	11/1/99	182.64	186.32	4.03%	7.24%
11/1980 - 4/1981	5/1/99	11/1/99	192.68	198.48	6.02%	7.39%
5/1980 - 10/1980	5/1/99	11/1/99	208.24	214.48	5.99%	7.61%
1/1980 - 4/1980	7/1/99	1/1/00	212.36	218.76	6.03%	7.52%

* Monthly increases in value, applicable to some bonds, are not shown in the table.

** Each "Start Date" and "End Date" is for the first date of the range in the "Issue Dates" column. Add one month for each later issue month. For example, a bond issued in 1/1997 would be worth $55.84 on 7/1/1999 and $56.92 on 1/1/2000.

*** A bond issued on or after May 1, 1997 is assessed a three-month interest penalty if redeemed less than five years after its issue date. "Redemption Value" shows bond values after penalty. "Earnings to date when held 5 years" shows the amount upon which future earnings will compound.

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

FOR IMMEDIATE RELEASE
May 3, 1999

Contact: Peter Hollenbach
(202) 691-3502

I BONDS BOUGHT FROM MAY THROUGH OCTOBER 1999 TO EARN 3.3% OVER AND ABOVE INFLATION

Series I, inflation-indexed savings bonds purchased from May through October 1999 will earn a 3.3 percent fixed rate of return over and above inflation. The 3.3 percent fixed rate applies for the 30-year life of I Bonds purchased during this six-month period.

Treasury's inflation-indexed I Bonds are designed to offer all Americans a way to save that protects the purchasing power of their investment by assuring them a real rate of return over and above inflation. I Bonds have features that make them attractive to many investors. They are sold at face value in denominations of $50, $75, $100, $200, $500, $1,000, $5,000, and $10,000 and earn interest for as long as 30 years. Two new denominations, a $200 bond honoring Chief Joseph of the Nez Perce, and a $10,000 bond, honoring Senator Spark Matsunaga went on sale May 1,1999. I Bond earnings are added every month and interest is compounded semiannually. They are State and local income tax exempt, and Federal income tax on I Bond earnings can be deferred until the bonds are cashed or they stop earning interest after 30 years. Investors cashing I Bonds before five years are subject to a 3-month earnings penalty.

I BOND EARNINGS RATE – 5.05%

The earnings rate for I Bonds is a combination of a fixed rate, which will apply for the life of the bond, and the inflation rate. The 5.05 percent earnings rate for I Bonds bought from May through October 1999 will apply for the first six months after their issue. The earnings rate combines the 3.30 percent fixed rate of return with the 1.72 percent annualized rate of inflation as measured by the Consumer Price Index for all Urban Consumers (CPI-U). The CPI-U increased from 163.6 to 165.0 from September 1998 to March 1999, a six-month increase of 0.86 percent.

EARNINGS RATES FOR ALL I BONDS

Earnings rates and actual yields for I Bonds are shown in the I Bond Earnings Report on the back of this release.

MORE INFORMATION

Get the latest information about I Bonds and Series EE bonds at Public Debt's savings bond website at ***www.savingsbonds.gov***. Download the new Savings Bond Wizard™, version 2.01 a free easy to use program that lets you keep track of all your savings bonds, calculate the value of your portfolio, and more. The latest *United States Savings Bonds/Notes Earnings Report*, containing rate and yield information for Series E, EE and I bonds along with Savings Notes, is also available at the website or by mail. Send a postcard asking for the "Earnings Report" to the Bureau of the Public Debt, 200 Third Street, Parkersburg, WV 26106-1328.

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RR-3121

VALUES AND YIELDS FOR $100 SERIES I BONDS
May 1999 Thru April 2000

The table shows semiannual values for $100 Series I bonds*. Values for other denominations ɜ proportional to the values shown. For example, the value of a $50 bond is one-half the amount shown and the value of a $500 bond is five times the amount shown. The Current Earnings column shows the annual yield that the bonds will earn during the period indicated. The Earnings From Issue is the bond's yield from its issue date to the date shown or date adjusted as shown in the footnotes.

Series I Bond Issue Dates	Earning Period		Earnings to Date when held 5 years ***				Redemption Value ***	
	Start Date **	End Date **	Start Value	End Value	Current Earnings	Earnings From Issue	Start Value	End Value
5/1999 - 10/1999	5/1/99	11/1/99	100.00	102.52	5.04%	5.04%	100.00	101.24
11/1998 - 4/1999	5/1/99	11/1/99	102.52	105.12	5.07%	5.06%	101.24	103.80
9/1998 - 10/1998	9/1/99	3/1/00	104.96	107.64	5.11%	4.97%	103.64	106.32

* Monthly increases in value, applicable to some bonds, are not shown in the table.

** Each "Start Date" and "End Date" is for the first date of the range in the "Issue Dates" column. Add one month for each later issue month. For example, a bond issued in 7/1999 would be worth $100.00 on 7/1/1999 and $101.24 on 1/1/2000.

*** A bond issued on or after May 1, 1997 is assessed a three-month interest penalty if redeemed less than five years after its issue date. "Redemption Value" shows bond values after penalty. "Earnings to date when held 5 years" shows the amount upon which future earnings will compound.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

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"Riding the Storm: Latin America and the Global Financial Market"
Remarks by Lawrence H Summers
Deputy Secretary of the Treasury
Council of the Americas
Washington, DC
May 3, 1999

Thank you. We meet at a time of profound challenges for the economies of our hemisphere, and for the global economy as a whole. But I think we can also say it is a time of fresh hope.

The mood at last week's World Bank/International Monetary Fund meetings here in Washington was very different than it was in October. At that time, in the wake of the Russian financial crisis, amid signs of significant strain in United States, Latin American and global financial markets and evident concerns about global growth, the G7 warned that the balance of risks in the global economy had shifted, and emphasized their commitment to promote sustainable global growth.

Six months on, as the recent G7 Communiqué noted, there have been improvements in some areas, reflecting both better performance in some emerging market economies and growth-oriented policy steps that have been taken in a number of G-7 countries. But nowhere more than in Latin America, the ebbs and flows of global sentiment usually shift more quickly than the ground beneath. The sense of crisis has abated. But major challenges remain.

To be sure, stable finance is not an end in itself. Stable finance will not alone educate our children, protect our environment or build all of our nations. But these things cannot happen without it. Now more than ever, if the gains of the past decade are to be preserved and the economies of this hemisphere are to keep on the path of integration and openness, Latin America needs to build confidence in finance – and financial confidence in Latin America.

I would like to spend most of my time today reflecting what will be the main ingredients of a stronger, safer financial system in Latin America and globally. First, though, let me say a few words about the more immediate outlook.

RR-3122

I. The Regional Outlook

Around the world and in this hemisphere, the United States remains a beacon of strength. If anyone a few years ago had predicted the combination of inflation, unemployment and growth rates we see today – not to mention a rising fiscal surplus – it is fair to say that the prediction would have been greeted with some skepticism.

This remarkable performance can be traced to a three-part national economic strategy based on a strong macro economic foundation, a commitment to open markets and to key public investments. But we know that in an interdependent world, our economic success will be linked ever more closely to that of the global economy – and the success of our closest neighbors most of all.

When the Inter-American Development Bank met in Paris in March, some saw the region as reeling after a year of unpleasant shocks:

- Events in Brazil had challenged the region's largest economy in its commitment to low inflation and steady growth and sent unwelcome tremors through several of the region's markets.

- Private capital inflows into the region were drying up. In the last five months of 1998, monthly bond issuance by Latin American countries was only $1 billion, down from $4.4 billion in the first seven months of the year.

- Commodity markets had suffered another downward spiral. This inflicted major terms of trade shocks on Chile, Venezuela, Mexico, Ecuador and others in 1998 – costing, in some cases, more than 5 percent of GDP.

- Worst of all, a series of major natural disasters had hit countries that had already seen more than their share: with hurricanes hitting Honduras, Nicaragua, El Salvador, Guatemala, the Dominican Republic and Haiti, floods from El Nino and a tragic earthquake in Colombia.

It was clear when we met in Paris that these shocks would take their toll on the region for some time to come and that no country will be left untouched. This surely remains true today – for the victims of Mitch and other disasters most of all. As you know, an unprecedented multilateral and bilateral effort has been under way to help countries rebuild their broken economies, with a combination of immediate support and medium-term debt rescheduling. This broad initiative remains on track, and I hope we will make further progress at a special donors' meeting later this month in Stockholm.

At the same time, if there were encouraging signs for the future six weeks ago, it is fair to say that there are rather more of them today.

Perhaps the most important have been events in Brazil. The devaluation of the *real* was not followed by the contagion that many would have feared. That it did not do so is a tribute to Brazil's success in implementing strong fiscal policies to regain confidence and also partly a reflection of the fact that the crisis had taken so long to play out. This meant that a large volume of trade and other finance had already moved out of Brazil. When the devaluation finally did take place, this money was there on the sidelines, ready to return if and when credible policies were restored.

As the G7 noted last week, Brazil has recently made important progress implementing the revised economic program that was supported by the IMF in March in the context of coordinated voluntary assurances on the part of Brazil's major private creditors. This is having palpable effects: inflation is regularly coming in below expectations; interest rates have fallen significantly, the currency has strengthened; and market economic forecasts for 1999 have been revised sharply upwards.

Increased confidence in Brazil, a continuation of strong policies in Mexico and Argentina and others, broadly prudent policies in Venezuela, where investors had feared missteps, rising oil prices and a more general upturn in global financial and commodity markets: all of these factors have contributed to a sharp improvement in regional market sentiment relative to last fall. Indeed, Latin American borrowers raised $11 billion in international bond markets in the first quarter of 1999.

This more favorable market environment will be an important asset to the region's governments in helping reduce the immediate pressure on their economies. But it is an asset that we will quickly squander if we allow ourselves to succumb to complacency.

- In countries where sound policies are not yet in place, notably Ecuador, policy makers will need to remember that a rising regional tide, in itself, will do little to stop rising inflation, widening fiscal deficits, and crises in the financial system. Problems that were homegrown need to be fixed at home, and soon.

- In Brazil, especially, policy makers will need to show continued vigilance in meeting short-term, macro-economic goals and show that they can move forward on addressing medium -term fiscal and structural challenges.

- Venezuela and others favorably affected by the recent market improvements will need to ensure that new capital inflows are sustainable for the long-term, and windfall gains in commodity markets are invested in long-term fiscal and structural reform, not spent as they have often been in the past.

- And as elections approach in Mexico and Argentina, policy makers will need to continue to work to build an institutional basis for strong policies that can withstand the vagaries of the electoral cycle. As President Zedillo recognizes, there is no more important legacy that he could leave to his successor – whoever that may be – than a growing and stable Mexico.

Let me note here that regional and sub-regional agreements between governments in the hemisphere have played and will continue to play an important role in preserving confidence that countries will keep to the path of opening markets and deeper integration. NAFTA and Mercosul are two very important examples. Another that deserves mention is the Andean Trade Preferences Act, which offers investors in the Andean countries the assurance that the United States market will remain open to them. The United States has supported this agreement in the past and I expect that we will continue to support it as a part of a strong regional policy framework for stability and growth.

II. Building Financial Confidence

The novelty of the financial crises we have seen in the 990s is that they have been what might be called capital account crises. The dominant source of pressure has been less economic contraction caused by the reluctance to finance expenditure in excess of national incomes than it has been pressure to withdraw a large amount of capital, caused by domestic and foreign investors alike. In each case, macro-economic and micro-economic weaknesses made a crisis possible. Sharp, self-fulfilling declines in confidence made it happen with such speed and virulence.

Building a safer global and regional financial system will mean individual governments getting the basics right: pursuing strong, mutually consistent monetary, fiscal and exchange rate policies. It will require them to put in place legal and regulatory underpinnings for markets to lessen the probability that imbalances will arise and contain the effects when they do occur. Because every ill-judged credit has a lender and a borrower, it will surely also mean stronger risk management systems and more prudent credit decisions on the part of private lenders. And it will mean the international community doing its part, by providing stronger incentives for countries to act to prevent crises and by devising more effective means of resolving them when they do take place.

This is a global and wide-ranging agenda, as it needs to be. Let me just focus here on four challenges of special relevance to Latin America, whose importance has been underscored by the events of the 1990s.

A. Building Stronger, Deeper National Financial Systems

While we think of the global capital market when we think about Latin American finance, the most important capital market is the one at home. I think most would agree that the strength of the Brazilian banking system played an important role in limiting the broader consequences of the February devaluation.

To build on and learn from the experience of the past year, the region's governments need now to step up their efforts to create a domestic financial infrastructure that absorbs the right kind of capital and is more impervious to shocks. That means effective supervision and regulation and appropriate prudential management. And it means transparent accounting and corporate governance and effective domestic bankruptcy regimes.

If one were writing a history of the American capital market I think one would conclude that the single most important innovation shaping that market was the idea of generally accepted accounting principles. GAAP are not a single institution. They are not a single magic bullet. They are an ongoing process that really is what makes our capital market work and makes it as stable as it is. Very much the same kind of thing is needed in Latin America and in all of the emerging economies.

Private foreign financial sector participation can and already does support these goals in Latin America. Today fully 50 percent of the banking sector, 70 percent of private banks, in Argentina are foreign-controlled, up from 30 percent in 1994. In Mexico more than one fifth of banking sector assets are foreign-controlled. The result is a deeper, more efficient financial market, and external investors with a greater stake in staying put.

The international community can and must also play a role, by developing more effective ways to induce countries to put the right policies in place. Concrete steps toward this end include:

- Efforts to expand and reinforce norms of transparency in economic and financial data, including the development and expansion of the IMF's Special Data Dissemination Standard (SDDS). This has now been widely adopted by industrial and emerging market economies and will incorporate full details on reserves, and any claims against them, from April 2000.

- Development of new codes to help investors and the official community judge national policies better and set "best practice" standards for governments themselves. The IMF's new Code on Fiscal Policy has now been adopted, and we expect that a Code on Monetary and Financial Policy will be formally adopted in October. International groups have now endorsed new standards on insolvency and debtor-creditor regimes.

- Development of stronger standards and shared principles for the financial and corporate sector worldwide. I might say here that the Committee on Hemispheric Financial Issues created at the Summit of the Americas in Miami in 1994 has already made an important difference, in helping to disseminate application of the Basle Core Principles for banking supervisors across the region and help develop key parts of the infrastructure for stronger national financial markets.

B. Safer Management of Public Risks

Countries across the region also need to match their financial policies to the challenges posed by a more developed and more truly global financial market. In this context the most crucial lesson of recent events is surely the need for prudent – and long-termist – debt management. We now know that countries are courting trouble when they reach for cheap short-term capital. We saw it in Mexico, with the increasing resort to issuing dollar-denominated Tesobonos in 1994 – and we saw it most recently in Russia, in the government's continued efforts to encourage foreign purchases of domestic GKOs.

In the wake of these crises, the countries of Latin America need to think long and hard about the structure of their liabilities, their exposure to rollover and other risks; and about new structures that share more risk with lenders. And they need to recall that longer-term debt is the simplest and best kind of insurance of all. As I will discuss in a moment, among other things, provision of the IMF's new Contingency Credit Line will be structured around encouraging countries to adopt safer practices in this area. Efforts are also under way to encourage safer risk management on the part of lenders.

C. Enduring exchange rate regimes

No search for better ways to prevent crises can overlook the place where so many past crises have begun—in the market for foreign exchange. To sustain confidence in the future, Latin America, especially, will need exchange rate regimes that can command the trust of domestic citizens and foreign investors, accommodate regional and global integration, and stand the test of time.

The merits of more fixed versus more floating exchange rates are forever debated and surely vary greatly from situation to situation and context to context. But history – and economic theory – do tell us that the three objectives of free capital mobility, an independent monetary policy and the maintenance of a fixed exchange rate objective will ultimately prove to be mutually incompatible.

I suspect this means that as capital market integration increases, countries will be forced increasingly to more flexible or more purely fixed regimes. In any event, we have to recognize that in a more integrated hemisphere – and a more integrated world – the contagion caused by failed regimes gives all of us an increasingly large stake in the right choices being made.

Analysts in several Latin American countries have been seeking an answer in dollarization. This would be a highly consequential step for any country, one that has to be considered with a careful eye to various potential costs and benefits.

- On the one hand, experience with discretionary monetary policy in a number of countries in Latin America has been that its potential benefits have not been fully realized. In this context the presumed irrevocability of dollarization holds the promise of lower interest rates, greater stability and possibly deeper financial markets, by adding to the credibility and discipline of its own policies and advancing its integration with the world economy. It is striking that dollarized Panama is the only country in Latin America with an active 30-year fixed rate mortgage market.

- On the other hand, countries considering dollarization need to remember that it is not a magic bullet. No exchange rate regime can be more credible than the fundamentals that underpin it. A dollarized country must be prepared to embrace an equally irrevocable subordination of domestic monetary policy to that discipline.

As Secretary Rubin has said, a country's choice of exchange rate regime is its own to make. We do not have an *a priori* view on dollarization. There are a variety of means and modalities for achieving it and we would expect to discuss these with any government seriously considering taking such a momentous step. There are, however, certain limits on the steps that the United States would be prepared to take in the context of such a decision: specifically, it would not, in our judgment, be appropriate for United States authorities to extend the net of bank supervision, to provide access to the Federal Reserve discount window, or to adjust the procedures or orientation of United States monetary policy in light of another country deciding to adopt the dollar.

D. Appropriate Tools for Crisis Response

Without the right national policies, any amount of external official support or extension of private debt obligations in time of crisis will be in vain. But as we have seen in Brazil, where the reform commitment is present, conditioned provision of finance and private sector coordination may both be needed to create an environment of confidence when something akin to a bank run psychology has taken hold.

The challenge we face, globally and regionally, is to devise mechanisms for responding to these new kinds of crisis, and the bank run psychology that can drive them. In this regard the IMF's Supplemental Reserve Facility, created in 1997, was a major innovation. In line with similar moves by the World Bank, the IDB has followed this up at the regional level, in providing conditioned, fast-disbursing, premium interest rate emergency loans for Argentina, Colombia and Brazil.

Last week, the international community took another very important further step with the creation of the CCL. Like the SRF, the CCL will carry premium interest rates and shorter maturities, to maximize countries' incentive to seek alternative, private sources of finance. It is designed to reduce the risk of contagion to countries with strong polices and institutions and directly encourage countries to reduce their vulnerability to crisis before the worst happens, through the adoption of sounder policies and practices.

The question of the appropriate private sector role in resolving such crises is a delicate one. We are very much aware that debt is an obligation which must be honored whenever possible; that growth depends on the continued flow of private capital, which in turn depends on meeting obligations; and that confidence is the mirror image of moral hazard. It is the irony of financial crises that while they are usually caused by too much lending, they are ended by lending more.

At the same time, as we have seen recently in Brazil, private sector coordination in its mutual interest can play a crucial role in crisis resolution. In a healthy global financial market, instruments that were issued carrying spreads of many hundreds of basis points surely cannot be counted on with absolute certainty to be repaid on time and in full.

As I consider these questions, I am convinced that cookie-cutter formulae or preset procedures can never be pre-designed to respond to the various circumstances that will arise. A case-by-case approach, based on the interests of the country involved, its creditors, and the system as a whole, will work best, in this region and globally.

Let me say here that effective crisis response extends well beyond the immediate financial imperative to restore confidence. The best – the primary – reason for wanting to respond better to crises is to lessen the economic and social distress that crises bring. But then preparing for crises has to mean preparing every member of our economy to cope with their effects.
Effective social safety nets are morally right because they provide a floor below which no one should be permitted to drop. And they make sense in narrow economic terms: because they can act as automatic stabilizers for the economy in a downturn; and because adjustments that are less painful for people are more likely to be made in good time.

III. Concluding Remarks

The platform of stable finance is one upon which so much can be laid—so much that will further the goals for the Americas that we laid down in our Guadalajara meeting in 1994 and the Santiago and Miami Summits. Even as we work through the immediate effects of the crises we need to keep focused on those goals of inclusion, integration, increased prosperity and strengthened democracies. We have made major progress toward these goals in this decade. What is critical today is that we maintain forward momentum on the work of reform – even as the storm clouds that were so evident a few months ago begin to seem more distant. Thank you

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
May 3, 1999

Contact: Peter Hollenbach
(202) 691-3502

PUBLIC DEBT TO END WALK-IN SERVICE FOR TREASURY SECURITIES

The Bureau of the Public Debt announced today that due to increasing customer use of its new telephone and Internet services, Treasury securities walk-in service at 37 locations will be discontinued, the first step in a process to save taxpayers $5 million annually.

At the close of business August 31, 1999, the Bureau will shut down the Treasury security window operations at 36 Federal Reserve Banks and the Capital Area Servicing Center in Washington, D.C. Then, over the next few years, Public Debt will create customer call centers at the Federal Reserve Banks in Boston, Minneapolis and Dallas. Accessible by a toll-free phone number, the call centers will serve customers of *TreasuryDirect*, the Bureau's direct-hold program for Treasury bills, notes and bonds. Until the call centers are fully operational, *TreasuryDirect* customers should continue to do business by mail and phone with their regular servicing offices. When completed, the changes will save about $5 million per year.

"Combined with an existing array of automated services available by phone and Internet, the centers will create a modern service environment that not only saves money for the taxpayer, but adds convenience for the customer," Public Debt Commissioner Van Zeck said.

Public Debt introduced the new business environment for *TreasuryDirect* in August 1997, by allowing customers to reinvest securities electronically. Today, more than half of all reinvestments and nearly 40 percent of purchases are transacted over the phone and Internet.

Partly because of the popularity of the phone and Internet services, Public Debt estimates that less than 2 percent of its 620,000 *TreasuryDirect* investors conduct business in person. Even before the electronic services were introduced, most customers did business by mail rather than in person.

The shutdown of walk-in services also affects owners of Treasury registered and bearer paper securities. The processing of those instruments will be transferred to Public Debt's operations center in Parkersburg, WV. The Department of the Treasury stopped issuing marketable note and bond certificates in 1986. The paper bonds still outstanding represent less than one-fourth of 1 percent of the marketable debt. Because redemption and other transactions in paper Treasury bonds are expected to number only about 5,000 each year, continuing to service these securities at 37 locations would be too costly.

RR-3123

-MORE-

Investors holding registered and bearer certificates can deposit them into a *TreasuryDirect* account free of charge through Public Debt's Smart Exchange program. Those investors wishing to convert their securities to safe, convenient *TreasuryDirect* accounts should contact Public Debt at 1-800-366-3144.

Most investors who own Treasury bearer bonds find it more convenient to have commercial banks handle their interest coupons. The few customers who present coupons in person at Federal Reserve Banks can continue to do so until August 31, 1999. After that date those investors can mail coupons to Federal Reserve offices.

The termination of walk-in service also will impact a small number of savings bond customers. Public Debt consolidated savings bond processing at five Federal Reserve offices several years ago. Window service for savings bonds at the Federal Reserve offices in Buffalo, Kansas City, Minneapolis, Pittsburgh and Richmond will end after August 31. Savings bond investors can, as always, look to their local financial institutions for service. More than 40,000 banks, savings and loans, and credit unions serve as savings bond issuing and paying agents.

All other services offered by Federal Reserve Banks to walk-in visitors will remain unchanged.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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For Immediate Release
May 3, 1999

CONTACT: Public Affairs
(202) 622-2960

TREASURY ANNOUNCES MARKET BORROWING ESTIMATES

The Treasury Department announced on Monday that its net market borrowing for the April - June 1999 quarter is estimated to be a paydown of $116 billion with a cash balance of $55 billion on June 30. The Treasury also announced that its net market borrowing for the July - September 1999 quarter is estimated to be a paydown of approximately $10 billion with a cash balance of $45 billion on September 30.

In the quarterly announcement of its borrowing needs on February 1, 1999, the Treasury estimated net market borrowing for the April - June quarter to be a paydown in the range of $110 billion to $115 billion with a cash balance of $35 billion on June 30. The improvement in the estimated cash balance is a combination of higher receipts, lower outlays and larger net issuances of State and Local Government Series securities.

Actual net market borrowing for the January - March 1999 quarter was $5.8 billion with an end-of-quarter cash balance of $21.6 billion. On February 1, the Treasury estimated net market borrowing for the January - March quarter to be a paydown of $5 billion with an end-of-quarter cash balance of $20 billion. The increase in net market borrowing was the result of higher outlays and larger tax refunds.

The regular quarterly Press Conference will be held at 9:00AM on Wednesday, May 5, 1999.

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PUBLIC DEBT NEWS

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TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

IMMEDIATE RELEASE
03, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	May 06, 1999
Maturity Date:	August 05, 1999
CUSIP Number:	912795CJ8

High Rate: 4.480% Investment Rate 1/: 4.605% Price: 98.868

All noncompetitive and successful competitive bidders were awarded :urities at the high rate. Tenders at the high discount rate were .otted 61%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 24,129,557	$ 6,086,757
Noncompetitive	1,400,813	1,400,813
PUBLIC SUBTOTAL	25,530,370	7,487,570 2/
Foreign Official Refunded	28,483	28,483
SUBTOTAL	25,558,853	7,516,053
Federal Reserve	4,558,010	4,558,010
Foreign Official Add-On	1,517	1,517
TOTAL	$ 30,118,380	$ 12,075,580

Median rate 4.470%: 50% of the amount of accepted competitive tenders tendered at or below that rate. Low rate 4.380%: 5% of the amount accepted competitive tenders was tendered at or below that rate.

:-to-Cover Ratio = 25,530,370 / 7,487,570 = 3.41

Equivalent coupon-issue yield.
Awards to TREASURY DIRECT = $1,091,073,000

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)epartment of the Treasury • Bureau of the Public Debt • Washington, DC 20239

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

IMMEDIATE RELEASE
03, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	May 06, 1999
Maturity Date:	November 04, 1999
CUSIP Number:	912795CU3

High Rate: 4.495% Investment Rate 1/: 4.675% Price: 97.728

All noncompetitive and successful competitive bidders were awarded urities at the high rate. Tenders at the high discount rate were otted 57%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 22,449,360	$ 3,705,841
Noncompetitive	1,162,067	1,162,067
PUBLIC SUBTOTAL	23,611,427	4,867,908 2/
Foreign Official Refunded	2,633,517	2,633,517
SUBTOTAL	26,244,944	7,501,425
Federal Reserve	3,965,000	3,965,000
Foreign Official Add-On	133,483	133,483
TOTAL	$ 30,343,427	$ 11,599,908

Median rate 4.480%: 50% of the amount of accepted competitive tenders tendered at or below that rate. Low rate 4.380%: 5% of the amount ıccepted competitive tenders was tendered at or below that rate.

·to-Cover Ratio = 23,611,427 / 4,867,908 = 4.85

·quivalent coupon-issue yield.
·wards to TREASURY DIRECT = $886,687,000

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
May 4, 1999

DIRECTOR OF THE OFFICE OF MACROECONOMIC ANALYSIS JOHN H. AUTEN REMARKS TO THE TREASURY BORROWING ADVISORY COMMITTEE OF THE PUBLIC SECURITIES ASSOCIATION

When you were here three months ago, the economy had completed a quarter of 6 percent real growth, more than twice the private consensus expectation when the fourth quarter began. It was clear at the time, however, that there had been special positive factors pushing up growth in the fourth quarter which were unlikely to be repeated in the first quarter, and some which might reverse. There had been a rebound in the fourth quarter from effects of the General Motors strike earlier in the year, unusually favorable weather for construction activity that persisted well into the winter months, and improvement in net exports which came at a time when the fundamentals seemed to point more toward further deterioration than improvement.

In view of those considerations, it seemed likely that a slower pace of real growth might emerge in the first quarter for statistical reasons alone. That turned out to be the case. Last week the Commerce Department reported first-quarter real growth of 4-1/2 percent, down from 6 percent in the fourth quarter. But one would be hard pressed to explain in what important respect the first quarter was weaker than the fourth. If anything, it appears to have been stronger. Gross domestic purchases, a measure of domestic demand calculated as GDP less net exports increased at a 6.8 percent annual rate in real terms in the first quarter after increasing at a 5.4 percent rate in the fourth.

The reason that growth in real GDP fell between the fourth and first quarters was that net exports subtracted nearly 2-1/2 percentage points from first quarter real growth after adding about ½ percentage point to the fourth quarter. There has been a recurrent tendency for net exports to improve temporarily in the final quarter of a year and then to deteriorate in

RR-3128

the following first quarter. This seems to reflect residual problems in seasonal adjustment of the trade data and was probably aggravated in its effect late last year by a bunching of aircraft exports. While primarily a statistical phenomenon, it tends in the current situation potentially to obscure full recognition of the strength of domestic demand.

In terms of domestic considerations alone, there were few signs in the first quarter data of any emerging imbalances that might seem to threaten continued expansion. Business capital spending was well maintained a little below the fourth-quarter rate. Residential construction activity remained at a high level in the first quarter with good prospects for the future. Early last year, inventory investment seemed to be moving up to an unsustainable pace, but over the course of the year it gradually subsided. In the first quarter of this year, inventory investment was moderate and seemed to be closely aligned with sales. Inventory-sales ratios are currently at low levels by historical standards.

The economy has averaged close to 4 percent real growth for the last three years with only minor variations from quarter to quarter, such as between the final quarter of last year and the first quarter of this year. Perhaps the most remarkable feature of recent experience is the combination of solid growth with a low, and by some measures even declining, rate of inflation. In terms of the chain-weighted GDP price index, inflation fell over the past three years from about 2 percent to less than 1 percent. In the first quarter, this measure of inflation did rise to a 1.4 percent annual rate from 0.8 percent in the fourth quarter. A one-time Federal pay raise accounted for about 0.2 percentage point of the acceleration.

Good inflation performance received further confirmation last week with the release of the employment cost index, our most comprehensive measure of the cost to employers of employee wages, salaries and benefits.

- The employment cost index rose by only 3.0 percent in nominal terms during the twelve months ending in March, well below the market expectation of a 3.4 percent rise, and down from a twelve-month increase of 3.7 percent only six months ago.

- There was a 3.3 percent increase in wages and salaries (down from 4.0 percent six months ago) and a 2.3 percent increase in benefit costs (down from 2.6 percent six months ago). There is some indication that weakness in incentive pay in the high-flying finance, insurance and real estate sector may have had a measurable impact on the latest results.

- The recent behavior of compensation costs is most unusual given tight labor markets with the unemployment rate at 4-1/2 percent or below for the past year. In combination with the more rapid growth of productivity, it has meant less-than-expected inflationary pressures and sharp increases in private wages and salaries in real terms.

Direct information on the second quarter is still very limited but generally positive. The report this Friday on the April employment situation will provide the first comprehensive view.

- During the week ended April 24, initial claims for state unemployment insurance benefits fell by 20,000 to 294,000. The sizable decline reversed most of a runup that occurred at the beginning of the month. Along with the recent behavior of continued claims and the state-insured unemployment rate, this suggests that labor markets remain very tight.

- A sharp rise in orders for nondefense capital goods excluding aircraft at the end of the first quarter, as well as the fact that orders have been above shipments for several months, suggests that business equipment investment may post another solid increase in the second quarter.

- Scattered reports on chain store and auto dealer sales suggest some moderation from the steamy first-quarter pace with the early date of Easter possibly having pulled some retail sales into late March. Consumer confidence surveys remain at relatively high levels.

- The National Association of Purchasing Management index fell back a little in April but remained above the 50 percent level which indicates that manufacturing activity is expanding.

The economy grew strongly in the first quarter without signs of increased inflationary pressure or cyclical imbalance. This extends a long record of good performance, generally exceeding consensus expectation, and suggests that further gains lie ahead. Information on the second quarter is too limited at this stage to provide much guidance, but continued expansion, possibly at a rate closer to the economy's long-term potential, would seem to be a likely outcome.

That is a summary of recent economic developments and the near term economic outlook.

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EMBARGOED UNTIL 8 p.m. EDT
Remarks as Prepared for Delivery
May 3, 1999

Remarks by Secretary Robert E. Rubin
Carter Center Conference

It is a pleasure to speak with you this evening. I would like to thank Tim Haas for that introduction, and President Carter and the Carter Center for hosting this conference which focuses on what I believe is an absolutely critical issue for the developing world, including Latin America: Corruption. Corruption, is of course, a moral and social issue, but tonight I would like to discuss corruption as a critical economic and financial issue, and what the developing world, the industrial world and multilateral institutions can do to combat it.

Since taking office more than six years ago, the Clinton Administration has worked intensely to promote reform and growth in developing countries around the world, in part because of the increasing importance of the developing countries to our own economy. In recent years, they have purchased over 40% of our exports. Latin America, as all of you know well, has undergone a remarkable political and economic transformation in the past decade, and has been the fastest growing market for U.S. exports over the past four years, accounting for nearly 50% of total U.S. export growth. The United States now trades almost as much with Latin America as with Western Europe.

The longer I have worked on promoting growth in developing countries – and in the countries transitioning from communism – the more I have come to believe that corruption is a prime impediment to economic growth and economic well being.

Of course, no country can claim purity in this area – corruption certainly exists in the industrial world -- and among developing countries there is a wide range in the severity of the problem. But corruption is particularly pernicious in the developing world because it diverts the scarce resources that are needed so badly for critical priorities such as health, education and housing. In some developing countries, it may even be the single most important impediment to sustained economic growth.
RR-3129

The global financial crisis of the last two years highlighted the economic dimension of corruption. In some countries, corruption increased vulnerability to crisis. In others, corruption was a significant impediment to implementing the necessary response to crisis and to restoring confidence in global financial markets.

Corruption – and especially the widespread or even pervasive corruption found in some countries -- affects the economies of the developing world in a number of ways. It benefits the few at the expense of the many. It distorts normal business and public policy decision-making, leading to inefficient resource allocation. It discourages small businesses and entrepreneurs who simply cannot afford the costs of bribery. It creates uncertainty, which discourages investment, and it particularly discourages foreign investment.

Another way of saying this, is that corruption undermines the rule of law, and can become the way business is conducted. This is the anti-thesis of the effective legal system that is a principal requisite for a successful economy. Moreover, by undermining the rule of law and by undermining confidence in public institutions, corruption diminishes the willingness of people to pay taxes, which reduces resources available for essential public sector services and public investment, and undermines fiscal stability.

Finally, corruption creates an environment conducive to organized crime – in fact, corruption and organized crime can create a vicious cycle. Drugs, organized crime and even street crime feed corruption, and corruption undermines or can even preclude efforts to combat drugs, organized crime and street crime – and these too are severe impediments to economic activity.

I have spoken with CEOs of large American companies who have told me that they simply will not undertake a major operation in a particular otherwise promising country because of organized crime, extortion and street violence.

When you consider how corruption can become integrated in the normal conduct of commerce, how it can become intertwined with organized crime, money laundering and narcotics trafficking, and how it can become pervasive in a political system, you get a sense of both how critical reducing corruption is and how difficult that can be. Having said that, however, there are a number of developing countries that are relatively free of corruption with some notable examples in Latin America, and a few where high rates of corruption have been substantially reduced. The challenge is very great -- indeed, some at Treasury who know this issue feel that if anything world-wide corruption has increased over time --but can be met. It is valuable to look at countries that have shown success in combating corruption to see what we can learn, to apply elsewhere.

As I have focused on this issue, it seems to me there are at least five elements critical to effectively combating corruption.

First, although it may seem obvious, nations should have sensible, clear laws and regulations, since ambiguity and complexity create greater opportunities for corruption in administration and adjudication. Then, the court system must be independent of political pressure, and to the extent possible adequately funded, and complemented by honest, well-trained and adequately compensated regulators, judges, prosecutors and law enforcement officers. This is difficult for poor countries that cannot afford proper training, adequate salaries and all the rest, and that puts an even greater onus on the international community to help. And that is happening, as the IMF, the World Bank, and IBRD focus more on good governance and combating corruption, but more should be done.

Second, is to eliminate all non-essential licensing, regulatory approvals and other discretionary controls. Reducing administrative discretion of government can greatly reduce the potential for corruption. If a license is no longer required to engage in some activity, then that is one less opportunity for bribery.

Third, is to create a well-supervised, soundly regulated and competitive financial system that operates on a commercial basis and is not subject to credit decisions based on personal or political connections. As part of the Summit of the Americas process, the finance ministers are working together to promote financial sector regulatory reform. But, again, this can be very difficult for a resource constrained developing country, and the World Bank and IBRD have substantially increased assistance in these areas.

Fourth, is to increase the transparency and accountability of government operations and decision-making. Shining light on the activities of government by publishing information about its operations and decision-making, and where appropriate, by including public participation in those decisions, is a powerful deterrent to corruption. Let me also add that a free and vibrant press and the active participation of non-governmental organizations can make an enormous contribution here. At the Vice President's conference on combating corruption, the Secretary of Finance of the City of Buenos Aires noted that exposing the bidding for municipal contracts to the press and NGOs has significantly cut costs for the city.

Fifth, and finally is to create a sound civil service system with strict conflict of interest rules, appropriate sanctions for malfeasance and adequate compensation for employees. This has proven to be a difficult problem for many of the poorer countries of this hemisphere, in part because they lack the resources to pay their civil servants adequate salaries. In some countries, it may well be desirable and feasible to have fewer government employees, and to pay them better.

While much of the responsibility for putting in place these five elements to combat corruption lies with developing nations, there is much the rest of the world can do. The international financial institutions – including the International Monetary Fund, World Bank, and the Regional Development Banks – have greatly increased their involvement in combating corruption, and they can and should do more.

IMF Managing Director Camdessus has been outspoken in his condemnation of corruption, and the IMF is increasingly giving explicit consideration to weakness in governance and to corruption in all its country programs – including Latin America. The Fund has developed a code of fiscal transparency, which calls for governments to accurately track and disclose expenditures and thereby make them more accountable for their spending decisions. The Fund also is increasing its support for open and transparent markets, price decontrol and trade liberalization, each of which will reduce the opportunity for bribery and corruption.

Under President Wolfensohn's leadership, the World Bank has become highly engaged in the fight against corruption. The Bank has developed new methodologies and techniques for analysis of the nature and extent of corruption in specific countries. Eleven countries, including Bolivia and Ecuador, have adopted this approach to help understand their corruption problems and to formulate targeted anti-corruption programs. An important aspect of the Bank's approach is to increase transparency and accountability by encouraging grass-roots involvement of "civil society" such as the media, schools, churches, and business and consumer organizations. The Bank also has made loans to support judiciary reforms, and has begun to integrate anti-corruption measures into its overall lending programs.

The Inter-American Development Bank is by far the largest multilateral lender in Latin America, which creates particular opportunities in the fight against corruption. The IDB organized a very successful and well-attended conference last year on transparency in public sector procurement, but we believe the bank can and should make this struggle an even higher priority.

It is also critically important to recognize that corruption is a two way street: For every bribe taker, there is a bribe giver. Developed countries must deal with their own involvement in developing country corruption. For the last several years, we have been urging the OECD countries to do more to discourage bribery. The OECD Bribery Convention, which was signed in December 1997 and required that bribery of foreign officials be made a crime, went into effect this year in the United States and eleven other countries. Signatories to the Convention – including Mexico and non-OECD members Argentina, Brazil, and Chile – who have not yet ratified and implemented the convention should so do promptly. Moreover, there are still a few OECD countries that have not yet eliminated the tax deductibility of bribes, and that is simply inexcusable.

There is also another international treaty pending, the OAS's "Inter-American Convention Against Corruption." We are working to obtain U.S. ratification and to build support for an effective monitoring process. Since four major Latin American countries signed the OECD Convention and thus will participate in that Convention's explicit provisions for mutual evaluation and monitoring, we would hope that other Latin American nations also will be agreeable to an effective monitoring mechanism.

Industrial nations can also help by increasing technical assistance and financial aid to developing nations for implementing the sorts of measures I discussed a few moments ago. In addition, all nations can combat corruption by cooperating in combating money laundering, since the corrupt often need to launder the proceeds of corruption into useable legitimate assets.

In the last few years, there has been real progress in international cooperation on money laundering, but there is much still to do. Reflecting, in part, the work of the Summit of the Americas process, Caribbean Financial Action Task Force, and OAS CICAD, a significant number of states in the Americas have criminalized money laundering, enhanced the regulation of their financial services sectors to more readily spot money laundering and instituted measures to improve assistance on investigations and prosecutions. At the same time, the United States Treasury has worked directly with many of the nations of the Hemisphere, providing technical assistance and training on a host of anti-money laundering issues. However, much more needs to be done, by all nations of the Hemisphere including our own.

Let me conclude by saying again that corruption is a critical economic issue for developing nations and the countries transitioning from communism, and combating corruption is a daunting task. Having said that, the increasing recognition of these realities, and the increasing work in that area, are important steps forward. I can remember not so long ago when discussing corruption in any conference like this would have been unthinkable, taboo. Similarly, last year, I visited Kenya and gave a speech on corruption and the level of interest and the wide ranging discussion we held afterwards, involving students, government officials, business people, and representatives from non-governmental organizations, on the impact of corruption on Kenyan society, was remarkable.

Just a few months ago, the Vice President hosted a conference on corruption, and now President Carter and the Carter Center have brought together an impressive group of individuals from this hemisphere to focus on the problem in the Americas. Such conferences can contribute greatly, by the work product they develop, by identifying and promulgating best practices, and by increasing awareness of corruption and its corrosive effects on a society and an economy. This last, in turn, can help make corruption socially unacceptable, which may deter both the givers of bribes and the recipients of bribes. Along these lines, my own view is that far too little has been done to expose to public shame the providers of bribes from developed countries, and the developed countries themselves that are not acting energetically to combat corruption in developing countries. As I mentioned earlier, there are still OECD members who have not eliminated the tax deductibility of such bribes, or ratified the OECD convention criminalizing this activity. All of us must continue to work together – developed and developing nations, groups like the Carter Center, the international financial institutions, and NGOs like Transparency International – to move forward in the crucial struggle against corruption. And by doing so, I believe we will importantly contribute to helping lay the groundwork for stronger economies around the world, which will benefit all of us. Thank you very much.

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Weekly Release of U.S. Reserve Assets

May 4, 1999

The Treasury Department today released U.S. reserve assets data for the week ending April 30, 1999.

As indicated in this table, U.S. reserve assets totaled $73,681 million as of April 30, 1999, down from $73,833 million as of April 23, 1999.

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

1999 Week Ending	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/	Foreign Currencies 3/		Reserve Position in IMF 2/
				ESF	SOMA	
April 23, 1999	**73,833**	11,049	9,649	15,033	15,027	23,076
April 30, 1999	**73,681**	11,049	*9,635*	14,981	14,976	*23,041*

1/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of March 31, 1999. The February 28, 1999 value was $11,047 million.

2/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official SDR/dollar exchange rate. Consistent with current reporting practices, IMF data for April 23, 1999 are final. Data for SDR holdings and the reserve position in the IMF shown as of April 30, 1999 (in italics) reflect preliminary adjustments by the Treasury to the April 23, 1999 IMF data.

3/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

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DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 10 A.M. EDT
Text as Prepared for Delivery
May 5, 1999

TREASURY SECRETARY ROBERT E. RUBIN
SUBCOMMITTEE ON FINANCE AND HAZARDOUS MATERIALS
HOUSE COMMITTEE ON COMMERCE

Mr. Chairman, Members of the Subcommittee, I appreciate this opportunity to discuss the Administration's views on financial modernization, including H.R. 10, the Financial Services Act of 1999.

Mr. Chairman, as we approach financial modernization legislation, the Administration's overall objective has been to do what best serves the interests of consumers, businesses and communities, while protecting the safety and soundness of our financial system. We will support legislation that achieves those aims.

Let me begin by noting that the U.S. financial services industry is stronger and more competitive in the global market than at any time in many decades. The United States is dominant in global investment banking and highly competitive in other segments of financial services. U.S. commercial banks are today more competitive abroad than at any time I can remember. The problem our financial services firms face abroad is lack of access rather than lack of competitiveness.

Financial modernization is occurring already in the marketplace through innovation, technological advances, and the lowering of regulatory barriers. Banks and securities firms have been merging; banks are selling insurance products; and insurance companies are offering products that serve many of the same purposes as banking products -- all of which increases competition and thus benefits consumers.

RR - 3131

Financial modernization will continue in the absence of legislation, but it can, with good legislation, occur in a more orderly fashion. Treasury has long believed in the benefits of such legislation, but we have also been clear that if this is going to be done, it needs to be done right.

Let me turn now to H.R. 10. The Administration strongly supports H.R. 10, which was reported by the Banking Committee by a bipartisan 51-8 vote. H.R. 10 takes the fundamental actions necessary to modernize our financial system by repealing the Glass-Steagall Act's prohibitions on banks affiliating with securities firms and repealing the Bank Holding Company Act prohibitions on insurance underwriting. And it takes two other steps that are of critical importance to the Administration: it preserves the relevance of the Community Reinvestment Act, and it permits financial services firms to organize themselves in whatever way best serves their customers and their businesses.

Today, I would like to focus primarily on how H.R. 10 gets these two issues right. I will then discuss four ways that we believe that H.R. 10 could be improved.

The first issue is preserving the relevance of the Community Reinvestment Act (CRA). CRA encourages a bank to serve creditworthy borrowers throughout communities in which it operates. Since 1993, a greatly invigorated CRA has been a key tool in the effort to expand access to capital in economically distressed areas and to make loans to rebuild low and moderate-income communities.

We strongly support H.R. 10's requirement that any bank seeking to conduct new financial activities be required to achieve and maintain a satisfactory CRA record. If we wish to preserve the relevance of CRA at a time when the relative importance of bank mergers may decline and the establishment of non-bank financial activities will become increasingly important, the authority to engage in newly authorized activities must be connected to a satisfactory CRA performance. We strongly urge the Committee to retain this important provision and otherwise leave CRA intact.

The second Administration priority is to allow banking organizations to choose the structure that best serves their customers. Before getting into specifics, I would like to make two general points.

The first is that the subsidiary option is a proven success, not a risky experiment, and one that every current and recent financial modernization bill -- including the bill reported by this Committee last year -- would continue to allow in some form. For example:

- Subsidiaries of U.S. banks currently engage overseas in securities underwriting, merchant banking and other non-banking activities. These subsidiaries -- which currently constitute $250 billion of assets -- would be allowed to continue under all

recent versions of H.R. 10, including last year's bill. These subsidiaries, I might add, have been approved by the Federal Reserve and are supervised by the Federal Reserve.

- **Foreign banks are currently permitted to engage in securities underwriting through subsidiaries in the United States. These subsidiaries -- which currently constitute $450 billion of assets -- would be allowed to continue under all recent versions of H.R. 10. These subsidiaries, too, have been approved by the Federal Reserve and supervised by the Federal Reserve.**

- **Subsidiaries of state banks are currently authorized to engage in a broad range of non-bank activities permitted by their state charter, provided that the FDIC does not find these activities to pose a risk to the deposit insurance funds. Such non-bank activities would continue in some form under all recent bills.**

The second point is that the idea of allowing the choice of subsidiary or affiliate has received broad support. The subsidiary option is supported not just by Treasury but also by the current Chairman of the FDIC, the agency responsible for insuring bank deposits, and her four predecessors -- two Republicans and two Democrats -- and by independent economists and other academics. The FDIC chair has testified that the subsidiary is actually preferable to an affiliate for purposes of safety and soundness. Of the 18 other countries composing the European Union and the G-10, none requires the use of separate bank holding company affiliates for underwriting and dealing in securities. Of those authorizing links between banking and insurance underwriting, all but one allow the choice of a subsidiary or an affiliate. By allowing a choice of structure, H.R. 10 is clearly in the mainstream of economic and legal thinking in this area.

Now, for the specifics. In H.R. 10, subsidiaries and affiliates are subject to safety and soundness safeguards that are absolutely identical. The bill contains the following rigorous safeguards:

- **Subsidiaries of banks would be functionally regulated in exactly the same manner as affiliates of banks. The authority of the SEC, for example, over a subsidiary engaging in securities activities would be exactly the same as over an affiliate engaging in those same activities, and customers of that subsidiary would benefit from the same customer investor protections as customers of an affiliate.**

- **Every dollar a bank invests in a subsidiary would be deducted from the bank's regulatory capital, just as is the case with every dollar a bank pays as a dividend to its parent holding company for investment in an affiliate. A bank would have to be well-managed and well-capitalized before and after such investment is deducted from its capital and on an ongoing basis.**

The capital investment would remain on the bank's books for purposes of Generally Accepted Accounting Principles (GAAP), since all of the assets and liabilities of the subsidiary are consolidated with the bank for GAAP purposes. But that accounting consolidation does not affect safety and soundness in any way: as I noted, the bank must maintain capital at the highest level set by the banking regulators -- the well capitalized level -- even assuming the investment is a total loss, and the bank cannot lose more than its investments in and loans to the subsidiary, which are expressly limited by statute.

- A bank could not invest any more in a subsidiary than it could pay as a dividend to its parent holding company for investment in an affiliate.
- The rules governing loans from a bank to a subsidiary would be exactly the same as they are for a loan from a bank to an affiliate.

These safeguards are primarily addressed to safety and soundness, but they also resolve another potential concern: the possibility of a subsidiary gaining a competitive advantage by receiving subsidized funding from its parent bank. While the idea that a bank receives a net subsidy is debatable, these funding restrictions ensure that banks are no more able to transfer any such subsidy to a subsidiary than to an affiliate.

Now it has been argued that, even with these restrictions in place, the bank would still have an incentive to operate through a subsidiary because its funding costs would be lower. A bank may have such an incentive, but that incentive has nothing to do with the transfer of any subsidy that may exist. Rather, it is based on the interests of creditors -- the same interests that have caused the current and three former FDIC Chairs to conclude that the subsidiary is preferable to the affiliate with respect to safety and soundness.

If a company has a valuable subsidiary, then the capital markets will reward that company with lower funding costs because it is a better credit risk. Creditors prefer to see valuable assets lodged in a place where creditors can reach them if the company defaults. The FDIC shares this preference, as it seizes the assets of a bank in the event it fails. A subsidiary meets this test, but an affiliate does not. Thus, market incentives in this area are rational -- and have nothing to do with any subsidy received by the bank. It is difficult to understand why Congress would wish to disrupt these sound market incentives -- incentives that also promote safety and soundness.

One last point on subsidy. As I have said, if there is a subsidy it could be equally transferred to an affiliate and a subsidiary. And if there is one, it is not significant enough to make a practical difference. If banks received a net subsidy significant enough to make a competitive difference, then presumably they would dominate the low-margin government securities market. They do not. Presumably, mortgage banking subsidiaries of banks, which currently operate without any of the funding restrictions imposed by

H.R. 10, would dominate their non-bank competitors. They do not. I cannot help but conclude from our real world experience that the net subsidy is not that significant and, more importantly, that under the funding limitations of H.R. 10, any subsidy that a subsidiary would manage to extract from its parent bank would be inconsequential.

Thus, we see no public policy reasons to deny the choice of a subsidiary; however, there are four important policy reasons to allow that choice.

First, financial services firms should, like other companies, have the choice of structuring themselves in the way that makes the most business sense and this, in turn, should lead to better service and lower costs for their customers.

Second, the relationship between a subsidiary and its parent bank provides a safety and soundness advantage. As I have noted, firms that choose to operate new financial activities through subsidiaries are, in effect, keeping those assets available to the bank rather than transferring them outside the bank's reach. The bank's interest in the subsidiary could be sold if it ever needed to replenish its capital. If the bank were ever to fail, the FDIC could sell the bank's interest in the subsidiary in order to protect the bank's depositors and the deposit insurance fund.

Third, one of an elected Administration's critical responsibilities is the formation of economic policy, and an important component of that policy is banking policy. In order for the elected Administration to have an effective role in banking policy, it must have a strong connection with the banking system. That connection would be weakened if new financial activities were off limits to OCC supervision.

We also believe it is very important that the Federal Reserve Board maintain its strong connection with the banking system, and therefore we have taken steps to help ensure that the Federal Reserve's jurisdiction is not weakened. Under H.R. 10, the Federal Reserve would continue to be the sole regulator of bank holding companies and their affiliates, and the largest banks would be required to operate through a bank holding company. The Federal Reserve would also supervise subsidiaries of State member banks, and would continue to supervise overseas subsidiaries of national banks and U.S. subsidiaries of foreign banks. Insurance underwriting would be conducted solely in Federal Reserve-supervised bank holding company affiliates. And the Federal Reserve would have the authority to veto any new activity for a subsidiary -- Fed-supervised or not -- just as the Treasury would have the authority to veto any new activity for an affiliate.

While we strongly support the House Banking Committee bill, there remain certain aspects of the bill that concern us.

We are concerned about the Federal Home Loan Bank System provisions of H.R. 10. The FHLBank System is currently the largest issuer of debt in the world. Last

year, it issued approximately $2.2 trillion in debt, and it currently has $350 billion in debt outstanding. As a government sponsored enterprise directed to foster home ownership, the System receives tax benefits, an exemption from SEC registration for its securities, and benefits from a market perception that the government stands behind the System, even though there is no legal obligation to do so. Yet a great deal of the government subsidized debt raised by the System is used, not to advance its home ownership purpose, but rather to fund arbitrage activities and short-term lending that benefit the System and its bank and thrift members. For those who care about the market-distorting effects of government subsidies on U.S. markets, the Federal Home Loan Bank System should be a substantial concern.

The System's arbitrage is not only an abuse of its government subsidy but also injects risk into a System that was designed -- by requiring all loans to be collateralized by stable, low-risk mortgages -- to have very little.

As currently drafted, H.R. 10 effects no reform of the System's arbitrage and takes no steps to ensure that the funds it raises will be used for a public purpose. Rather, H.R. 10 would allow the System's regulator to cut the capital requirements of the System in half. We believe such a step is very unwise.

We are also concerned about a provision of H.R. 10 that would allow greater affiliations between commercial firms and savings associations. We have serious concerns about mixing banking and commercial activities under any circumstances, and these concerns are heightened as we reflect on the financial crisis that has affected so many countries around the world over the past two years. Thus, we are concerned that H.R. 10 would allow commercial firms to acquire any of the over 600 thrifts currently owned by unitary thrift holding companies. Currently, only a few unitary thrifts are owned by non-financial firms -- many are owned by insurance companies and securities companies, for example -- but if H.R. 10 were to break down the barriers to affiliation among financial firms, then their need for owning thrifts would be substantially reduced. The logical buyers at that point would be non-financial firms.

We continue to believe that any financial modernization bill must have adequate protections for consumers. We believe that improvements should be made by this Committee and approved by the full House. Thus, we look forward to working with the Committee on provisions addressing sales of securities regulation issues.

Mr. Chairman, let me conclude by reiterating that financial modernization legislation can produce significant benefits, but the job must be done right. H.R. 10 has received broad industry and bipartisan Congressional support, and we believe its critical provisions should be preserved.

We in the Administration look forward to working with you and others in Congress to move the bill forward and improve it where necessary in order to produce legislation that truly benefits consumers, businesses and communities, while protecting the safety and soundness of our financial system. Thank you very much.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
May 5, 1999

Contact: John Longbrake
(202) 622-2960

STATEMENT BY TREASURY SECRETARY ROBERT E. RUBIN

The Clinton Administration's policy of fiscal discipline has dramatically improved our fiscal situation, and has changed our task from financing a deficit, to managing a surplus. Now, we have reached a new milestone in our nation's financial history: We are paying down $116 billion of federal debt -- the largest debt pay-down that has ever been achieved in a single quarter, or even in a single year.

It is a great accomplishment for this Administration that we are now reducing the debt. Less government debt outstanding means lower interest rates, higher national savings, more investment and a stronger economy. We have reduced privately held marketable debt from $3.1 trillion in March of 1997, to $2.76 trillion -- a pay-down of $330 billion in just over two years.

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RR-3132

DEPARTMENT OF THE TREASURY

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EMBARGO TIME WILL BE SET
May 5, 1999

REMARKS BY GARY GENSLER
UNDER SECRETARY FOR DOMESTIC FINANCE
MAY 1999 TREASURY QUARTERLY REFUNDING

Good morning. Each quarter, I have the opportunity to discuss the government's refunding needs with you in this forum. In the past year, these refunding announcements have reflected our nation's ever-strengthening financial condition. Today, I am pleased to read to you a statement from Secretary Rubin:

> The Clinton Administration's policy of fiscal discipline has dramatically improved our fiscal situation, and has changed our task from financing a deficit, to managing a surplus. Now, we have reached a new milestone in our nation's financial history: We are paying down \$116 billion of federal debt -- the largest debt pay-down that has ever been achieved in a single quarter, or even in a single year.
>
> It is a great accomplishment for this Administration that we are now reducing the debt. Less government debt outstanding means lower interest rates, higher national savings, more investment, and a stronger economy. We have reduced privately held marketable debt from approximately \$3.1 trillion in March of 1997, to less than \$2.8 trillion -- a pay-down of \$320 billion in just over two years.

This is, indeed, a remarkable accomplishment.

Terms of the May Refunding

I will now turn to the terms of the quarterly refunding. We are offering \$27 billion of notes to refund \$28.8 billion of privately held notes maturing on May 15, and to pay down approximately \$1.8 billion.

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The securities are:

1. A 5-year note in the amount of $15.0 billion, maturing on May15, 2004, will be auctioned on Tuesday, May 11.

2. A 10-year note in the amount of $12.0 billion, maturing on May 15, 2009 will be auctioned on Wednesday, May 12.

Both of these notes will be auctioned on a yield basis, at 1:00 p.m. Eastern time. As Secretary Rubin has said, we estimate that the Treasury will pay down $116 billion of marketable securities during the April-June quarter. This estimate assumes a $55 billion cash balance at the end of June. Including the securities we are announcing today, we have paid down $ 114-1/2 billion of marketable securities so far this quarter. (See the attachment for details.) We estimate that a cash management bill will be needed to bridge the cash low point from early June until after the June 15 tax payment date

Looking forward to the July-September quarter, we estimate that the Treasury will pay down approximately $10 billion of marketable securities, assuming a $45 billion cash balance on September 30.

The next quarterly refunding will be announced on August 4, 1999.

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Attachment

NET MARKET BORROWING
April-June 1999
(Billions of dollars)

TOTAL		**-116.3**
DONE *		**-114.4**
BILLS		
Regular weekly bills	-5.4	
52- week bill	-0.9	
Cash management bills	-70.1	
Total	-76.4	
COUPONS		
7- year note	-10.2	
2- year notes	0.3	
5- year notes - end of month	-33.7	
30- year inflation-indexed bond	7.4	
May refunding	-1.8	
	-38.0	
TO BE DONE		**-1.9**

* Issued or announced through May 5, 1999.

)artment of the Treasury
ce of Market Finance

May 5, 1999

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
May 5, 1999

CONTACT: Office of Financing
202/691-3550

TREASURY MAY QUARTERLY FINANCING

The Treasury will auction $15,000 million of 5-year notes and $12,000 million of 10-year notes to refund $28,800 million of publicly held securities maturing May 15, 1999, and to pay down about $1,800 million.

In addition to the public holdings, Federal Reserve Banks hold $4,607 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $4,943 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $204 million into the 5-year note and $10 million into the 10-year note.

Both of the auctions being announced today will be conducted in the single-price auction format. All competitive and noncompetitive awards will be at the highest yield of accepted competitive tenders.

The notes being offered today are eligible for the STRIPS program.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

Details about the notes are given in the attached offering highlights.

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RR-3134

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC
MAY 1999 QUARTERLY FINANCING

May 5, 1999

<u>Offering Amount</u>	$15,000 million	$12,000 million
<u>Description of Offering</u>:		
Term and type of security	5-year notes	10-year notes
Series	F-2004	B-2009
CUSIP number	912827 5F 5	912827 5G 3
Auction date	May 11, 1999	May 12, 1999
Issue date	May 17, 1999	May 17, 1999
Dated date	May 15, 1999	May 15, 1999
Maturity date	May 15, 2004	May 15, 2009
Interest rate	Determined based on the highest accepted competitive bid	Determined based on the highest accepted competitive bid
Yield	Determined at auction	Determined at auction
Interest payment dates	November 15 and May 15	November 15 and May 15
Minimum bid amount and multiples	$1,000	$1,000
Accrued interest payable by investor	Determined at auction	Determined at auction
Premium or discount	Determined at auction	Determined at auction
<u>STRIPS Information</u>:		
Minimum amount required	Determined at auction	Determined at auction
Corpus CUSIP number	912820 DU 8	912820 DV 6
Due date(s) and CUSIP number(s) for additional TINT(s)	Not applicable	Not applicable

<u>The following rules apply to all securities mentioned above</u>:

<u>Submission of Bids</u>:

Noncompetitive bids ..... Accepted in full up to $5,000,000 at the highest accepted yield.

Competitive bids .... (1) Must be expressed as a yield with three decimals, e.g., 7.123%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

<u>Maximum Recognized Bid at a Single Yield</u> .... 35% of public offering

<u>Maximum Award</u> .... 35% of public offering

<u>Receipt of Tenders</u>:

Noncompetitive tenders .. Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders ..... Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

<u>Payment Terms</u> .... By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
May 5, 1999

Contact: Peter Hollenbach
(202) 219-3302

BUREAU OF THE PUBLIC DEBT AIDS SAVINGS BONDS OWNERS AFFECTED BY TORNADOES IN OKLAHOMA

The Bureau of Public Debt took action to assist victims of tornadoes in Oklahoma by expediting the replacement or payment of United States Savings Bonds for owners in the affected areas. The emergency procedures are effective immediately for paying agents and owners in those areas of Oklahoma affected by the tornado. These procedures will remain in effect through June 30, 1999.

Public Debt's action waives the normal six-month minimum holding period for Series EE and Series I savings bonds presented to authorized paying agents for redemption by residents of the affected area Most financial institutions serve as paying agents for savings bonds.

Oklahoma counties involved are Canadian, Cleveland and Oklahoma. Should additional counties be declared disaster areas the emergency procedures for savings bonds owners will go into effect for those areas.

The replacement of bonds lost or destroyed will also be expedited by Public Debt. Bond owners should complete form PD-1048, available at most financial institutions or by writing the Kansas City Federal Reserve Bank's Savings Bond Customer Service Department, 925 Grand Boulevard, Kansas City, Missouri 64198; phone (816) 881-2000. This form can also be downloaded from Public Debt's website at: www.publicdebt.treas.gov. Bond owners should include as much information as possible about the lost bonds on the form. This information should include how the bonds were inscribed, social security number, approximate dates of issue, bond denominations and serial numbers if available. The completed form must be certified by a notary public or an officer of a financial institution. Completed forms should be forwarded to Public Debt's Savings Bond Operations Office located at 200 Third St., Parkersburg, West Virginia 26106-1328. Bond owners should write the word "TORNADOES" on the front of their envelopes, to help expedite the processing of claims.

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RR-3136

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 10 A.M. EDT
Text as Prepared for Delivery
May 6, 1999

TREASURY UNDER SECRETARY GARY GENSLER TESTIMONY BEFORE THE HOUSE COMMITTEE ON BANKING AND FINANCIAL SERVICES

Good morning Chairman Leach, Ranking Member LaFalce and members of the Committee. It is an honor to appear before you today to discuss the President's Working Group on Financial Markets' report entitled "Hedge Funds, Leverage, and the Lessons of Long-Term Capital Management." If I might add a personal note, as I was only recently sworn in as Under Secretary for Domestic Finance at the Treasury Department, I look forward to working with this committee and its staff on these and other matters.

I am also pleased to appear on this panel with my colleagues from the other Working Group agencies. I commend all of the agencies on how they cooperated in the production of this report. The Working Group's report represents the outcome of discussions among the four principals of the Working Group and their staff, as well as principals and staff of the Council of Economic Advisers, the Federal Deposit Insurance Corporation, the National Economic Council, the Federal Reserve Bank of New York, the Office of the Comptroller of the Currency, and the office of Thrift Supervision. The Working Group has jointly agreed on the key public policy issues raised by Long-Term Capital Management ("LTCM"), and has jointly forwarded a series of recommendations.

The near collapse of LTCM highlighted the risks of excessive leverage, and the possibility that problems at one financial institution could potentially pose risks to the financial system as a whole. The Working Group also found that, although LTCM is a hedge fund, the issues it presents are not limited to hedge funds. The events highlighted a breakdown in private market risk practices at major commercial banks and securities firms. In addition, a number of other financial institutions are larger and more highly leveraged than hedge funds.

RR-3137

Today I would like to summarize our findings, and the recommendations that are presented in the Working Group's report.

Long-Term Capital Management

Let me first say a few words of background about LTCM. Long-Term Capital Management is a private investment partnership located in Greenwich, Connecticut. At the end of 1997, LTCM had balance sheet assets of $129 billion on only $4.7 billion of capital -- or a ratio of assets to equity of 28-to-1. This ratio does not include, however, any leverage that LTCM may have been able to assume through derivatives or other off-balance sheet transactions. LTCM's notional derivatives position stood at $1.3 trillion at the end of 1997. LTCM's high degree of leverage, combined with the nature of its investments, made it vulnerable as it struggled to meet margin and collateral calls from counterparties during a period of market turbulence.

LTCM's trading strategies also made it vulnerable to market shocks. While LTCM traded in a variety of financial markets in a number of different countries, its strategies proved to be poorly diversified. Most of LTCM's trading positions, in fact, were based on the belief that prices for various risks were high. They thought that the prices for these risks, such as liquidity, credit, and volatility, were high compared to historical standards. They were wrong, however, in these judgments. In addition, these markets proved to be more correlated than LTCM had supposed, as markets around the world received simultaneous shocks last fall.

On August 17, Russia devalued the ruble and declared a debt moratorium. This sparked a "flight to quality" as investors shunned risk and sought out liquid markets. As a result, risk spreads widened and many markets around the world became less liquid and more volatile. LTCM was affected, even though the vast majority of their trading risks were related to markets in the major industrialized countries. Thus, LTCM found itself losing money on many of its trading positions and near insolvency.

By mid-September, 1998, LTCM's capital had fallen to less than $1 billion, from $4.7 billion at the beginning of the year. LTCM faced severe problems as it tried to unwind some of its positions in illiquid markets. The large size of LTCM's positions in many markets contributed to its inability to unwind its positions. As a result, market participants began to be concerned about the possibility that LTCM could collapse and the consequences this could have on world markets that were already turbulent.

LTCM's creditors and counterparties were concerned about two things. First, they were concerned about the direct losses they would most likely face in the event of default. These losses would have resulted from liquidating significant amounts of collateral and re-hedging derivatives contracts. At the time, LTCM prepared estimates that these direct losses would be in the range of $3-5 billion for its 17 largest counterparties. Individually, many of the firms were estimated by LTCM to face potential losses of between $300 to $500 million.

Although we have not tried to verify LTCM's estimates independently, our conversations with some of LTCM's counterparties have supported these estimates.

Second, LTCM's creditors and counterparties were concerned about the possible significant effect of a default on global financial markets, and hence on the rest of their trading positions. Since LTCM's counterparties were themselves large, highly leveraged financial institutions, a number of them believed that this indirect, second-order effect could have lead to even more significant losses than the direct effects of a default.

It was in this environment that 14 of LTCM's key counterparties came together and decided that it was in their best interest to prevent a default. These firms collectively decided to invest a total of $3.6 billion rather than risk the possible direct and indirect losses suggested by LTCM's and their own internal estimates.

The Working Group's Key Findings

The central policy issue raised by the near collapse of LTCM is how to constrain excessive leverage more effectively. Excessive leverage greatly amplified LTCM's vulnerability to market shocks and increased the possibility of systemic risk. Systemic risk is the risk that problems at one financial institution could be transmitted to the entire financial market and possibly to the economy as a whole.

To constrain leverage, our market-based system relies heavily on the discipline provided by creditors, counterparties, and investors. Market discipline is generally effective, because it relies on these same participants. If one looks at the history of financial markets, however, it is also true that market-based constraints can break down in good times as creditors and investors become less concerned about risk, and fail to manage risk appropriately.

Risk management practices broke down at both LTCM and its creditors and counterparties. Reviews by regulators indicate that some financial firms did not effectively limit their exposures to LTCM. In addition, the firms' risk models and risk management procedures may have underestimated the possibility of significant losses.

At the same time, many of LTCM's creditors and counterparties were themselves highly leveraged. Other financial institutions, including some banks and securities firms, are larger, and generally more highly leveraged, than hedge funds. For example, at the end of 1998, the five largest commercial bank holding companies had total assets in excess of $260 billion, and the five largest investment banks had total assets in excess of $150 billion. While LTCM had a leverage ratio of 28-to-1 at the end of 1997, the five largest investment banks' average leverage ratio is currently about 27-to-1. The five largest commercial bank holding companies, however, currently have an average leverage ratio of nearly 14-to-1. And while LTCM had a notional derivatives position of over $1.3 trillion in December 1997, six commercial bank holding companies and two investment banks had notional derivatives amounts of over $1 trillion at the end of last year.

We believe that leverage plays a positive role in our financial system. It increases market liquidity and improves the efficiency of risk and resource allocation in our economy. Problems can arise, however, when financial institutions go too far in extending credit to their customers and counter parties. The near collapse of LTCM well illustrates the need for all participants in our financial system, not only hedge funds, to face constraints in the amount of leverage they assume.

The Working Group report recognizes that the best way to mitigate risk to the financial system is by motivating the private sector. Many of the measures that the Working Group is recommending are intended to reinforce private market discipline.

The Working Group's Recommendations

Let me now turn to the Working Group's recommendations. As you may have had time to review our report, let me summarize the recommendations here.

The Working Group has recommended a number of measures in the two broad areas of public disclosure and risk management, and has also made some other important recommendations. Many of the recommendations contained in the report can be implemented by the Working Group members through regulation. Legislation will be required, however, in order to implement three of the recommended measures. I will highlight the three measures that require legislation as we go along. Finally, the Working Group also considered a number of potential additional measures that could be implemented if evidence emerges that indirect regulation of currently unregulated market participants is not effective in constraining leverage. The Working Group, however, is not recommending any of these potential additional measures at this time.

Public Disclosure. The Working Group made two recommendations on public disclosure. We believe it is important to improve transparency by increasing and enhancing the information that is available to the public, in order to reinforce private market discipline.

First, we think that private market behavior would be enhanced if hedge funds were required to disclose their financial statements to the public. These financial statements would include more meaningful and comprehensive measures of market risk, without requiring the disclosure of proprietary information. Hedge funds can constitute large pools of risk, and we believe that it would be best if all financial market participants were aware of this risk. While LTCM was larger than any other reporting hedge fund family at the end of 1997, 10 other reporting hedge funds had assets exceeding $10 billion at that time. Currently, hedge funds are not required to make their financial statements public. Requiring them to do so will need legislation, and we look forward to working with Congress on the best mechanism for accomplishing this goal.

Second, all public companies, including financial institutions, should publicly disclose a summary of their direct material financial exposures to significantly leveraged financial institutions, including hedge funds. One of the lessons of events in global financial markets over the past two years is the interlocking nature of our global financial system. Events in one country's banking system, or even in one hedge fund in Connecticut, can put investors around the world at risk, and the effects can even reach to small savers. That is why the SEC will promulgate rules, taking into account public comments through the normal rule-making process, to require that public companies disclose their exposures to significantly leveraged institutions. To the extent covered, these entities should be aggregated by sector (*e.g.*, commercial banks, investment banks, insurance companies, hedge funds and others).

Risk Management Practices. One of the questions that the Working Group examined was whether creditors lacked adequate information on LTCM, or whether they had adequate information but didn't use it effectively. The four bank regulators and the two market regulators canvassed the industry last fall in the wake of LTCM. The regulators found serious weaknesses in how firms used what information they did have, and how they incorporated this information into their judgments. Therefore, the Working Group has made three categories of recommendations for enhancing financial institutions' risk management practices.

First, regulators should promote the development of more risk-sensitive but prudent approaches to capital adequacy. Thus, we believe that the Basle Committee on Banking Supervision should update the Capital Accord for the financial markets of the 21st century. Our report has a series of specific recommendations related to the need for greater differentiation among claims (or instruments or counterparties) based on credit quality. In addition, value-at-risk or other risk models should be subject to validation procedures, including rigorous back-testing.

Second, regulators have issued guidance to address some of the risk management weaknesses that have been identified. U.S. banking regulators have put banks on notice that examiners will be looking at a series of specific risk management practices.

Third, the report outlines a number of practices that the private sector itself should adopt. A number of private sector initiatives are underway to publish sets of sound practices. The International Swap Dealers Association has produced a report with 22 recommendations concerning collateral. The Counterparty Risk Management Group is developing some recommendations concerning risk management. We also think it would be appropriate for a group of hedge funds to publish a set of sound practices for their risk management and internal controls.

The Working Group is also making recommendations in three other, more technical areas: risk assessment for the affiliates of securities firms and FCMs; bankruptcy; and offshore financial centers.

Expanded Risk Assessment Authority for Unregulated Affiliates. Regulators' current authority to require financial information about the unregulated affiliates of broker-dealers and FCMs should be enhanced. Regulators need a greater window into these affiliates in order to monitor the risks posed by these market participants and the highly leveraged institutions which are their counterparties. As mentioned earlier, the five largest securities firms have total assets ranging from $150 billion to over $300 billion, and on average their leverage ratio is about 27-to-1. Thus, these firms are larger in size than LTCM and have comparable leverage, and they are able to put a significant portion of their assets and risk in unregulated affiliates. During the 1990s, there has been a dramatic growth in the activity of these unregulated affiliates. In the case of LTCM, the unregulated affiliates of broker-dealers extended a significant amount of credit, particularly through derivatives. While the SEC currently regulates broker-dealers, securities firms are placing a significant and increasing share of their trading positions, leverage and activity in unregulated affiliates.

This authorization should be accompanied by the authority to review risk management procedures and controls at the holding company level, and the ability to examine the records and controls of the holding company and its material unregulated affiliates. This measure would require legislation. While we are not at this time recommending capital standards for the unregulated affiliates of securities firms ("fully consolidated supervision"), the report suggests that this issue may be worthy of further consideration.

Bankruptcy. Although LTCM did not file for bankruptcy, the Working Group studied what might have happened had LTCM filed for bankruptcy, and has two principal recommendations. First, LTCM's near collapse highlighted the importance of adopting legislation to improve the close-out netting regime for financial contracts. These proposals would improve the netting regime under the Bankruptcy Code by expanding and clarifying the definitions of the financial contracts eligible for netting. In addition, the proposals would explicitly allow eligible counterparties to net across different types of contracts, such as swaps, security contracts, repos and forward contracts. Putting this in context, last September LTCM had about 60,000 trades on with only 75 counterparties. It is critical to the functioning of financial markets that there be certainty with respect to how all these transactions would have been netted in the case of insolvency. The Working Group and the Administration last year forwarded to Congress specific proposals to enhance close-out netting.

Second, LTCM's near collapse highlighted the interplay between bankruptcy laws in the Cayman Islands and in the United States. If LTCM had filed for bankruptcy in the Cayman Islands, where it was organized, there might have been considerable delay because U.S. courts might have stayed the sale of collateral underlying financial contracts. This would have added to systemic risk. To make such a result less likely, the Working Group recommends adoption of amendments to Section 304 of the Bankruptcy Code included in last year's bankruptcy proposal, as well as adoption of the model statute of the United Nations Commission on International Trade Law.

Internationalizing the Working Group's Recommendations. In a world of mobile capital, the Working Group believes it is important that other countries consider these recommendations, where relevant. We are working with other industrial countries to strengthen regulatory standards in their own countries. In addition, the U.S. regulatory agencies and the Treasury Department will continue to work with their counterparts internationally to encourage offshore financial centers to adopt and comply with internationally-agreed upon standards developed by international organizations of regulators or supervisory authorities.

Tax Policy Issues. The LTCM incident highlights a number of tax issues with respect to hedge funds, including the tax treatment of total return equity swaps and the use of offshore financial centers. These issues, however, were beyond the scope of this report and are being addressed separately by Treasury.

Additional Potential Steps

The Working Group also considered a number of additional potential measures to constrain leverage. While the Working Group is not currently recommending any of these measures, the report suggests that they could be given further consideration. The Working Group will be monitoring and assessing the effectiveness of the measures outlined in the report. If further evidence emerges that indirect regulation of currently unregulated market participants is not effective in constraining excessive leverage, the issues that follow could be given further consideration.

- Direct Regulation of Hedge Funds. While the Working Group is calling for the public disclosure of hedge funds' financial statements, we are not currently recommending the direct regulation of hedge funds.

- Consolidated Supervision of Broker-Dealers. While the Working Group is calling for additional reporting and record-keeping concerning the unregulated affiliates of broker-dealers, we are not at this time calling for full consolidated supervision. The key additional measures that could be considered would be enterprise-wide capital standards.

- Direct Regulation of Derivatives Dealers. This will be one of the important issues that the Working Group will consider in its upcoming study of the over-the-counter derivatives market.

Conclusion

We believe that the Working Group's report contains a thoughtful, well-balanced set of recommendations to help promote private market discipline and address the potential risks of excessive leverage. Some of the recommendations require legislative support. We look forward to working with the Congress on these important matters.

In closing, I would like to add that the Secretary of the Treasury wishes to extend his appreciation to all the members of the Working Group, and their staffs, for their close cooperation and hard work as we compiled the report and recommendations.

I would be pleased to answer any questions that this committee may have.

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PUBLIC DEBT NEWS

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

EMBARGOED FOR RELEASE AT 3:00 PM
May 6, 1999

Contact: Peter Hollenbach
(202) 691-3502

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR APRIL 1999

The Bureau of the Public Debt announced activity figures for the month of April 1999, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$1,726,816,675
Held in Unstripped Form	$1,504,037,367
Held in Stripped Form	$222,779,308
Reconstituted in April	$10,239,625

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."

The STRIPS data along with the new *Monthly Statement of the Public Debt*, is available on Public Debt's Internet homepage at: **www.publicdebt.treas.gov** A wide range of information about the public debt and Treasury securities is also available on the homepage.

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RR-3138

TABLE V - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, APRIL 30, 1999

Loan Description			Corpus STRIP CUSIP	Maturity Date	Principal Amount Outstanding in Thousands			Reconstituted This Month
					Total Outstanding	Portion Held in Unstripped Form	Portion Held in Stripped Form	
Treasury Bonds:								
CUSIP:		Interest Rate:						
912810 DM7		11-5/8	912803 AB9	11/15/04	8,301,806	4,090,606	4,211,200	204,800
DQ8		12	AD5	05/15/05	4,260,758	2,022,608	2,238,150	14,000
DR6		10-3/4	AG8	08/15/05	9,269,713	6,049,713	3,220,000	31,200
DU9		9-3/8	AJ2	02/15/06	4,755,916	4,747,980	7,936	0
DN5		11-3/4	912800 AA7	11/15/14	6,005,584	2,837,584	3,168,000	296,800
DP0		11-1/4	912803 AA1	02/15/15	12,667,799	10,791,799	1,876,000	347,520
DS4		10-5/8	AC7	08/15/15	7,149,916	6,876,956	272,960	72,000
DT2		9-7/8	AE3	11/15/15	6,899,859	4,389,459	2,510,400	225,600
DV7		9-1/4	AF0	02/15/16	7,266,854	7,144,454	122,400	0
DW5		7-1/4	AH6	05/15/16	18,823,551	18,066,751	756,800	0
DX3		7-1/2	AK9	11/15/16	18,864,448	17,751,088	1,113,360	98,800
DY1		8-3/4	AL7	05/15/17	18,194,169	9,790,969	8,403,200	370,880
DZ8		8-7/8	AM5	08/15/17	14,016,858	10,812,058	3,204,800	267,200
EA2		9-1/8	AN3	05/15/18	8,708,639	3,223,839	5,484,800	152,000
EB0		9	AP8	11/15/18	9,032,870	2,496,470	6,536,400	104,400
EC8		8-7/8	AQ6	02/15/19	19,250,798	7,572,398	11,678,400	1,910,400
ED6		8-1/8	AR4	08/15/19	20,213,832	19,257,992	955,840	177,280
EE4		8-1/2	AS2	02/15/20	10,228,868	7,258,468	2,970,400	418,800
EF1		8-3/4	AT0	05/15/20	10,158,883	2,802,243	7,356,640	160,000
EG9		8-3/4	AU7	08/15/20	21,418,606	6,465,486	14,953,120	635,680
EH7		7-7/8	AV5	02/15/21	11,113,373	10,266,973	846,400	70,400
EJ3		8-1/8	AW3	05/15/21	11,958,888	6,912,168	5,046,720	241,920
EK0		8-1/8	AX1	08/15/21	12,163,482	9,585,882	2,577,600	246,080
EL8		8	AY9	11/15/21	32,798,394	12,700,219	20,098,175	874,675
EM6		7-1/4	AZ6	08/15/22	10,352,790	8,911,190	1,441,600	173,600
EN4		7-5/8	BA0	11/15/22	10,699,626	3,149,226	7,550,400	67,200
EP9		7-1/8	BB8	02/15/23	18,374,361	11,318,361	7,056,000	113,600
EQ7		6-1/4	BC6	08/15/23	22,909,044	19,060,884	3,848,160	188,288
ES3		7-1/2	BD4	11/15/24	11,469,662	3,197,342	8,272,320	82,240
ET1		7-5/8	BE2	02/15/25	11,725,170	2,693,170	9,032,000	190,400
EV6		6-7/8	BF9	08/15/25	12,602,007	8,248,727	4,353,280	177,280
EW4		6	BG7	02/15/26	12,904,916	12,221,416	683,500	253,100
EX2		6-3/4	BH5	08/15/26	10,893,818	7,729,818	3,164,000	339,200
EY0		6-1/2	BJ1	11/15/26	11,493,177	7,786,377	3,706,800	138,000
EZ7		6-5/8	BK8	02/15/27	10,456,071	7,072,071	3,384,000	92,800
FA1		6-3/8	BL6	08/15/27	10,735,756	10,162,956	572,800	153,600
FB9		6-1/8	BM4	11/15/27	22,518,539	20,745,739	1,772,800	89,600
FE3		5-1/2	BP7	08/15/28	11,776,201	11,757,001	19,200	0
FF0		5-1/4	BV4	11/15/28	10,947,052	10,944,652	2,400	0
FG8		5-1/4	BW2	02/15/29	11,350,351	11,350,351	0	0
Total Treasury Bonds............................					514,732,405	350,263,444	164,468,961	8,879,343
Treasury Inflation-Indexed Notes:								
CUSIP:	Series:	Interest Rate:						
912827 3A8	J	3-5/8	912820 BZ9	07/15/02	17,272,938	17,272,938	0	0
2M3	A	3-3/8	BV8	01/15/07	16,360,556	16,360,556	0	0
3T7	A	3-5/8	CL9	01/15/08	17,117,352	17,117,352	0	0
4Y5	A	3-7/8	DN4	01/15/09	8,557,969	8,557,969	0	0
Total Inflation-Indexed Notes................					59,308,815	59,308,815	0	0
Treasury Inflation-Indexed Bonds:								
CUSIP:		Interest Rate:						
912810 FD5		3-5/8	912803 BN2	04/15/28	17,094,558	17,094,558	0	0
912810 FH6		3-7/8	CF6	04/15/29	7,355,502	7,355,502	0	0
Total Inflation-Indexed Bonds..............					24,450,060	24,450,060	0	0

Loan Description			Corpus STRIP CUSIP	Maturity Date	Principal Amount Outstanding in Thousands			Reconstituted This Month
					Total Outstanding	Portion Held in Unstripped Form	Portion Held in Stripped Form	
Treasury Notes:								
CUSIP:	Series:	Interest Rate:						
912827 XN7	B	9-1/8	912820 AS6	05/15/99	10,047,103	4,754,303	5,292,800	40,000
XW7	C	6	AT4	08/15/99	10,163,644	5,831,819	4,331,825	150,250
3H3	AK	5-3/4	CB1	09/30/99	17,487,287	17,269,687	217,600	0
3K6	AL	5-5/8	CD7	10/31/99	16,823,947	16,604,747	219,200	0
YE6	D	7-7/8	AU1	11/15/99	10,773,960	5,773,960	5,000,000	128,000
3P5	AM	5-5/8	CG0	11/30/99	17,051,198	16,865,598	185,600	0
3R1	AN	5-5/8	CJ4	12/31/99	16,747,060	16,647,860	99,200	0
3U4	Y	5-3/8	CM7	01/31/00	17,502,026	17,502,026	0	0
YN6	A	8-1/2	AV9	02/15/00	10,673,033	7,189,033	3,484,000	122,800
3Y6	Z	5-1/2	CR6	02/29/00	17,776,125	17,776,125	0	0
4A7	AB	5-1/2	CT2	03/31/00	17,206,376	17,203,576	2,800	0
4C3	AC	5-5/8	CV7	04/30/00	15,633,855	15,630,655	3,200	0
YW6	B	8-7/8	AW7	05/15/00	10,496,230	4,902,630	5,593,600	35,200
4G4	AD	5-1/2	CZ8	05/31/00	16,580,032	16,326,432	253,600	0
4J8	AE	5-3/8	DB0	06/30/00	14,939,057	14,683,057	256,000	0
4M1	AF	5-3/8	DD6	07/31/00	18,683,295	18,680,095	3,200	0
ZE5	C	6-3/4	AX5	08/15/00	11,080,646	6,821,446	4,259,200	31,040
4Q2	AG	5-1/8	DF1	08/31/00	20,028,533	20,023,733	4,800	0
4R0	AH	4-1/2	DG9	09/30/00	19,268,508	19,268,508	0	0
4T6	AJ	4	DH7	10/31/00	20,524,986	20,496,986	28,000	0
ZN5	D	8-1/2	AY3	11/15/00	11,519,682	6,779,682	4,740,000	8,000
3M2	X	5-3/4	CF2	11/15/00	16,036,088	16,036,088	0	0
4W9	AK	4-5/8	DL8	11/30/00	20,157,568	20,157,568	0	0
4X7	AL	4-5/8	DM6	12/31/00	19,474,772	19,474,772	0	0
4Z2	U	4-1/2	DP9	01/31/01	19,777,278	19,777,278	0	0
ZX3	A	7-3/4	AZ0	02/15/01	11,312,802	7,694,402	3,618,400	8,000
3W0	S	5-3/8	CP0	02/15/01	15,367,153	15,367,153	0	0
5C2	V	5	DR5	02/28/01	19,586,630	19,586,630	0	0
5D0	W	4-7/8	DS3	03/31/01	21,605,352	21,605,352	0	0
5E8	X	5	DT1	04/30/01	21,034,601	21,034,601	0	0
A85	B	8	BA4	05/15/01	12,398,083	8,359,433	4,038,650	60,400
4E9	T	5-5/8	CX3	05/15/01	12,873,752	12,873,752	0	0
B92	C	7-7/8	BB2	08/15/01	12,339,185	9,159,985	3,179,200	9,600
D25	D	7-1/2	BC0	11/15/01	24,226,102	19,807,782	4,418,320	253,200
F49	A	7-1/2	BD8	05/15/02	11,714,397	8,184,557	3,529,840	66,960
G55	B	6-3/8	BE6	08/15/02	23,859,015	22,073,415	1,785,600	113,600
3J9	M	5-7/8	CC9	09/30/02	12,806,814	12,771,614	35,200	0
3L4	N	5-3/4	CE5	10/31/02	11,737,284	11,675,684	61,600	0
3Q3	P	5-3/4	CH8	11/30/02	12,120,580	11,919,780	200,800	0
3S9	Q	5-5/8	CK1	12/31/02	12,052,433	12,052,433	0	0
3V2	C	5-1/2	CN5	01/31/03	13,100,640	13,100,640	0	0
J78	A	6-1/4	BF3	02/15/03	23,562,691	22,276,483	1,286,208	229,632
3Z3	D	5-1/2	CS4	02/28/03	13,670,354	13,626,354	44,000	0
4B5	E	5-1/2	CU9	03/31/03	14,172,892	14,172,892	0	0
4D1	F	5-3/4	CW5	04/30/03	12,573,248	12,573,248	0	0
4H2	G	5-1/2	DA2	05/31/03	13,132,243	13,132,243	0	0
4K5	H	5-3/8	DC8	06/30/03	13,128,779	13,128,779	0	0
L83	B	5-3/4	BG1	08/15/03	28,011,028	27,388,628	622,400	0
4N9	J	5-1/4	DE4	08/15/03	19,852,263	19,852,263	0	0
4U3	K	4-1/4	DJ3	11/15/03	18,625,785	18,524,985	100,800	0
N81	A	5-7/8	BH9	02/15/04	12,955,077	12,675,077	280,000	0
5A6	E	4-3/4	DQ7	02/15/04	17,823,218	17,823,218	0	0
P89	B	7-1/4	BJ5	05/15/04	14,440,372	14,374,772	65,600	5,600
Q88	C	7-1/4	BK2	08/15/04	13,346,467	12,435,267	911,200	0
R87	D	7-7/8	BL0	11/15/04	14,373,760	14,373,760	0	0
S86	A	7-1/2	BM8	02/15/05	13,834,754	13,806,994	27,760	0
T85	B	6-1/2	BN6	05/15/05	14,739,504	14,739,504	0	0
U83	C	6-1/2	BP1	08/15/05	15,002,580	15,002,580	0	0
V82	D	5-7/8	BQ9	11/15/05	15,209,920	15,205,120	4,800	0
W81	A	5-5/8	BR7	02/15/06	15,513,587	15,509,427	4,160	0
X80	B	6-7/8	BS5	05/15/06	16,015,475	16,015,475	0	0
Y55	C	7	BT3	07/15/06	22,740,446	22,740,446	0	0
Z62	D	6-1/2	BU0	10/15/06	22,459,675	22,459,675	0	0
2J0	B	6-1/4	BW6	02/15/07	13,103,678	13,043,294	60,384	0
2U5	C	6-5/8	BX4	05/15/07	13,958,186	13,924,586	33,600	0
3E0	D	6-1/8	CA3	08/15/07	25,636,803	25,609,603	27,200	0
3X8	B	5-1/2	CQ8	02/15/08	13,583,412	13,583,412	0	0
4F6	C	5-5/8	CY1	05/15/08	27,190,961	27,190,961	0	0
4V1	D	4-3/4	DK0	11/15/08	25,083,125	25,083,125	0	0
Total Treasury Notes					1,128,326,395	1,070,015,048	58,310,347	1,260,282
Grand Total					1,726,816,675	1,504,037,367	222,779,308	10,239,625

Note: On the 4th workday of each month Table V will be available after 3:00 p.m. eastern time on the Commerce Economic Bulletin Board (EBB) and the Bureau of the Public Debt's website at http://www.publicdebt.treas.gov. For more information about EBB, call (202) 482-1986. The balances in this table are subject to audit and subsequent adjustmei

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
May 6, 1999

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million to refund $15,640 million of publicly held securities maturing May 13, 1999, and to pay down about $640 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $7,644 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $3,223 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Up to $3,000 million of these securities may be refunded within the offering amount in each of the auctions of 13-week bills and 26-week bills at the highest discount rate of accepted competitive tenders. Additional amounts may be issued in each auction for such accounts to the extent that the amount of new bids exceeds $3,000 million.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $946 million into the 13-week bill and $722 million into the 26-week bill.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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RR-3139

Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED MAY 13, 1999

May 6, 1999

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	183-day bill
CUSIP number	912795 CK 5	912795 CD 1
Auction date	May 10, 1999	May 10, 1999
Issue date	May 13, 1999	May 13, 1999
Maturity date	August 12, 1999	November 12, 1999
Original issue date	February 11, 1999	November 12, 1998
Currently outstanding	$11,646 million	$16,254 million
Minimum bid amount and multiples	$1,000	$1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids .... Accepted in full up to $1,000,000 at the highest discount rate of accepted competitive bids.

Competitive bids .... (1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 7.100%, 7.105%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $1 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield .... 35% of public offering

Maximum Award.................... 35% of public offering

Receipt of Tenders:

Noncompetitive tenders ...... Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders .... Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

ederal financing bank NEWS
WASHINGTON, D.C. 20220
Press 202-622-2960
FFB 202-622-2450

FEDERAL FINANCING BANK March 31, 1999

Paula Farrell, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of February 1999.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $43.2 billion on February 28, 1999, posting a decrease of $652.3 million from the level on January 31, 1998. This net change was the result of decreases in holdings of agency debt of $200.9 million, in holdings of agency assets of $410.0 million, and in holdings of agency guaranteed loans of $41.4 million. FFB made 84 disbursements during the month of February, and also executed two refinancings on behalf of Rural Utilities Service-guaranteed borrowers. FFB received 17 prepayments in February.

Attached to this release are tables presenting FFB February loan activity and FFB holdings as of February 28, 1998.

RR-3140

FEDERAL FINANCING BANK
FEBRUARY 1999 ACTIVITY

:OWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
CY DEBT				
. POSTAL SERVICE				
. Postal Service	2/1	$138,600,000.00	2/2/99	4.657% S/A
. Postal Service	2/1	$970,000,000.00	2/2/99	4.603% S/A
. Postal Service	2/1	$50,000,000.00	2/2/99	4.603% S/A
. Postal Service	2/2	$136,900,000.00	2/3/99	4.657% S/A
. Postal Service	2/2	$565,000,000.00	2/3/99	4.657% S/A
. Postal Service	2/2	$100,000,000.00	2/3/99	4.657% S/A
. Postal Service	2/2	$50,000,000.00	2/3/99	4.657% S/A
. Postal Service	2/3	$109,600,000.00	2/4/99	4.605% S/A
. Postal Service	2/3	$410,000,000.00	2/4/99	4.657% S/A
. Postal Service	2/3	$100,000,000.00	2/4/99	4.657% S/A
. Postal Service	2/3	$50,000,000.00	2/4/99	4.657% S/A
. Postal Service	2/4	$141,400,000.00	2/5/99	4.615% S/A
. Postal Service	2/4	$190,000,000.00	2/5/99	4.605% S/A
. Postal Service	2/4	$100,000,000.00	2/5/99	4.605% S/A
. Postal Service	2/4	$50,000,000.00	2/5/99	4.605% S/A
. Postal Service	2/5	$154,500,000.00	2/8/99	4.624% S/A
. Postal Service	2/5	$1,020,000,000.00	2/8/99	4.615% S/A
. Postal Service	2/5	$100,000,000.00	2/8/99	4.615% S/A
. Postal Service	2/5	$50,000,000.00	2/8/99	4.615% S/A
. Postal Service	2/8	$30,400,000.00	2/9/99	4.667% S/A
. Postal Service	2/8	$1,450,000,000.00	2/9/99	4.624% S/A
. Postal Service	2/8	$100,000,000.00	2/9/99	4.624% S/A
. Postal Service	2/8	$50,000,000.00	2/9/99	4.624% S/A
. Postal Service	2/9	$95,700,000.00	2/10/99	4.657% S/A
. Postal Service	2/9	$1,300,000,000.00	2/10/99	4.667% S/A
. Postal Service	2/9	$50,000,000.00	2/10/99	4.667% S/A
. Postal Service	2/10	$116,000,000.00	2/11/99	4.605% S/A
. Postal Service	2/10	$1,110,000,000.00	2/11/99	4.657% S/A
. Postal Service	2/10	$100,000,000.00	2/11/99	4.657% S/A
. Postal Service	2/11	$131,100,000.00	2/12/99	4.625% S/A
. Postal Service	2/11	$900,000,000.00	2/12/99	4.605% S/A
. Postal Service	2/11	$100,000,000.00	2/12/99	4.605% S/A
. Postal Service	2/11	$50,000,000.00	2/12/99	4.605% S/A
. Postal Service	2/12	$113,700,000.00	2/16/99	4.665% S/A
Postal Service	2/12	$820,000,000.00	2/16/99	4.625% S/A
Postal Service	2/12	$100,000,000.00	2/16/99	4.625% S/A
Postal Service	2/12	$50,000,000.00	2/16/99	4.625% S/A
Postal Service	2/16	$224,900,000.00	2/17/99	4.688% S/A
Postal Service	2/16	$550,000,000.00	2/17/99	4.665% S/A
Postal Service	2/16	$100,000,000.00	2/17/99	4.665% S/A
Postal Service	2/16	$50,000,000.00	2/17/99	4.665% S/A
Postal Service	2/17	$264,100,000.00	2/18/99	4.647% S/A
Postal Service	2/17	$250,000,000.00	2/18/99	4.688% S/A
Postal Service	2/17	$100,000,000.00	2/18/99	4.688% S/A

is a Semi-annual rate.

FEDERAL FINANCING BANK
FEBRUARY 1999 ACTIVITY

OWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
CY DEBT				
. POSTAL SERVICE				
. Postal Service	2/17	$50,000,000.00	2/18/99	4.688% S/A
. Postal Service	2/18	$116,800,000.00	2/19/99	4.656% S/A
. Postal Service	2/18	$200,000,000.00	2/19/99	4.647% S/A
. Postal Service	2/18	$100,000,000.00	2/19/99	4.647% S/A
. Postal Service	2/18	$50,000,000.00	2/19/99	4.647% S/A
. Postal Service	2/19	$212,300,000.00	2/22/99	4.686% S/A
. Postal Service	2/19	$970,000,000.00	2/22/99	4.656% S/A
. Postal Service	2/19	$100,000,000.00	2/22/99	4.656% S/A
. Postal Service	2/19	$50,000,000.00	2/22/99	4.656% S/A
. Postal Service	2/22	$260,200,000.00	2/23/99	4.771% S/A
. Postal Service	2/22	$1,340,000,000.00	2/23/99	4.686% S/A
. Postal Service	2/22	$100,000,000.00	2/23/99	4.686% S/A
. Postal Service	2/22	$50,000,000.00	2/23/99	4.686% S/A
. Postal Service	2/23	$54,500,000.00	2/24/99	4.781% S/A
. Postal Service	2/23	$1,325,000,000.00	2/24/99	4.771% S/A
. Postal Service	2/23	$100,000,000.00	2/24/99	4.771% S/A
. Postal Service	2/23	$50,000,000.00	2/24/99	4.771% S/A
. Postal Service	2/24	$94,400,000.00	2/25/99	4.792% S/A
. Postal Service	2/24	$1,200,000,000.00	2/25/99	4.781% S/A
. Postal Service	2/24	$100,000,000.00	2/25/99	4.781% S/A
. Postal Service	2/25	$67,600,000.00	2/26/99	4.750% S/A
. Postal Service	2/25	$1,000,000,000.00	2/26/99	4.792% S/A
. Postal Service	2/25	$100,000,000.00	2/26/99	4.792% S/A
. Postal Service	2/25	$50,000,000.00	2/26/99	4.792% S/A
. Postal Service	2/26	$263,700,000.00	3/1/99	4.789% S/A
Postal Service	2/26	$1,010,000,000.00	3/1/99	4.750% S/A
Postal Service	2/26	$100,000,000.00	3/1/99	4.750% S/A
Postal Service	2/26	$50,000,000.00	3/1/99	4.750% S/A
NMENT - GUARANTEED LOANS				
RAL SERVICES ADMINISTRATION				
blee Office Building	2/1	$1,207.02	4/1/99	4.603% S/A
his IRS Service Cent.	2/1	$2,340.21	1/2/25	5.251% S/A
y Square Office Bldg.	2/2	$14,112.00	7/31/25	5.351% S/A
blee Office Building	2/19	$818.42	4/1/99	4.656% S/A
Building	2/19	$2,315,260.72	11/2/26	5.598% S/A
his IRS Service Cent.	2/19	$2,631.35	1/2/25	5.604% S/A
his IRS Service Cent.	2/19	$2,148.04	1/2/25	5.604% S/A
blee Office Building	2/23	$141,769.58	4/1/99	4.771% S/A
y Services Contract	2/23	$171,676.85	7/31/25	5.584% S/A
y Square Office Bldg.	2/23	$365,000.00	7/31/25	5.584% S/A

is a Semi-annual rate.

FEDERAL FINANCING BANK
FEBRUARY 1999 ACTIVITY

)WER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
?NMENT - GUARANTEED LOANS				
\RTMENT OF EDUCATION				
ı. State College	2/17	$295,772.40	9/1/26	5.590% S/A
\L UTILITIES SERVICE				
;ier Energy Elec. #901	2/3	$3,080,404.13	12/31/20	5.123% Qtr.
)ciated Electric #906	2/9	$17,949,798.44	12/31/20	5.300% Qtr.
;halls Energy Co. #458	2/24	$180,000.00	1/2/18	5.879% Qtr.

is a Semi-annual rate: Qtr. is a Quarterly rate.
;C refinancing

FEDERAL FINANCING BANK HOLDINGS
(in millions)

Program	February 28, 1999	January 31, 1999	Net Change 02/1-02/28/99	Fiscal Year Net Change 10/1/98-02/28/99
Agency Debt:				
USPS	$3,673.7	$3,874.6	($200.9)	($2,022.4)
sub-total*	$3,673.7	$3,874.6	($200.9)	($2,022.4)
Agency Assets:				
FmHA-RDIF	$3,675.0	$3,675.0	$0.0	$0.0
FmHA-RHIF	$9,090.0	$9,500.0	($410.0)	($410.0)
DHHS-HMO	$3.1	$3.1	$0.0	$0.0
DHHS-Medical Facilities	$7.2	$7.2	$0.0	$0.0
Rural Utilities Service-CBO	$4,598.9	$4,598.9	$0.0	$0.0
sub-total*	$17,374.2	$17,784.2	($410.0)	($410.0)
Government-Guaranteed Lending:				
DOD-FMS	$2,736.5	$2,770.1	($33.7)	($92.6)
DoEd-HBCU+	$6.9	$6.6	$0.3	$2.3
DHUD-Community Dev. Block Grant	$15.2	$15.2	$0.0	($15.2)
DHUD-Public Housing Notes	$1,419.9	$1,419.9	$0.0	($71.5)
General Services Administration+	$2,447.9	$2,452.1	($4.2)	($25.2)
DOI-Virgin Islands	$16.5	$16.5	$0.0	($1.0)
DON-Ship Lease Financing	$1,138.7	$1,138.7	$0.0	($86.2)
Rural Utilities Service	$14,099.7	$14,100.9	($1.2)	($66.8)
SBA-State/Local Development Cos.	$217.5	$220.2	($2.7)	($15.9)
DOT-Section 511	$3.8	$3.8	$0.0	($0.0)
sub-total*	$22,102.6	$22,144.1	($41.4)	($372.0)
grand total*	$43,150.5	$43,802.9	($652.3)	($2,804.4)

* figures may not total due to rounding
\+ does not include capitalized interest

PUBLIC DEBT NEWS

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TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

IMMEDIATE RELEASE
10, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	May 13, 1999
Maturity Date:	August 12, 1999
CUSIP Number:	912795CK5

High Rate: 4.480% Investment Rate 1/: 4.605% Price: 98.868

All noncompetitive and successful competitive bidders were awarded
rities at the high rate. Tenders at the high discount rate were
tted 29%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 26,498,389	$ 6,074,172
Noncompetitive	1,363,598	1,363,598
PUBLIC SUBTOTAL	27,861,987	7,437,770 2/
Foreign Official Refunded	71,000	71,000
SUBTOTAL	27,932,987	7,508,770
Federal Reserve	3,839,485	3,839,485
Foreign Official Add-On	0	0
TOTAL	$ 31,772,472	$ 11,348,255

ledian rate 4.475%: 50% of the amount of accepted competitive tenders
endered at or below that rate. Low rate 4.390%: 5% of the amount
cepted competitive tenders was tendered at or below that rate.

o-Cover Ratio = 27,861,987 / 7,437,770 = 3.75

uivalent coupon-issue yield.
ards to TREASURY DIRECT = $1,042,008,000

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TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

MMEDIATE RELEASE
0, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

erm:	183-Day Bill
ssue Date:	May 13, 1999
aturity Date:	November 12, 1999
USIP Number:	912795CD1

High Rate: 4.510% Investment Rate 1/: 4.694% Price: 97.707

ll noncompetitive and successful competitive bidders were awarded
ities at the high rate. Tenders at the high discount rate were
:ed 72%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

'ender Type	Tendered	Accepted
:ompetitive	$ 22,302,285	$ 3,748,485
Ioncompetitive	1,113,819	1,113,819
PUBLIC SUBTOTAL	23,416,104	4,862,304 2/
oreign Official Refunded	2,650,000	2,650,000
SUBTOTAL	26,066,104	7,512,304
ederal Reserve	3,805,000	3,805,000
oreign Official Add-On	0	0
)TAL	$ 29,871,104	$ 11,317,304

lian rate 4.490%: 50% of the amount of accepted competitive tenders
ıdered at or below that rate. Low rate 4.420%: 5% of the amount
epted competitive tenders was tendered at or below that rate.

·Cover Ratio = 23,416,104 / 4,862,304 = 4.82

valent coupon-issue yield.
ds to TREASURY DIRECT = $802,006,000

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

Weekly Release of U.S. Reserve Assets

May 11, 1999

The Treasury Department today released U.S. reserve assets data for the week ending May 7, 1999.

As indicated in this table, U.S. reserve assets totaled $73,989 million as of May 7, 1999, up from $73,694 million as of April 30, 1999.

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

1999 *Week Ending*	Total Reserve Assets	Gold Stock [1/]	Special Drawing Rights [2/]	Foreign Currencies [3/] ESF	Foreign Currencies [3/] SOMA	Reserve Position in IMF [2/]
April 30, 1999	**73,694**	11,049	9,634	14,981	14,976	23,054
May 7, 1999	**73,989**	11,049	*9,685*	15,042	15,037	*23,177*

/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of March 31, 1999. The February 28, 1999 alue was $11,047 million.

/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official DR/dollar exchange rate. Consistent with current reporting practices, IMF data for April 30, 1999 are final. Data for SDR oldings and the reserve position in the IMF shown as of May 7, 1999 (in italics) reflect preliminary adjustments by the Treasury to 1e April 30, 1999 IMF data.

/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market ccount (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be greed upon by the parties to the transactions.

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PUBLIC DEBT NEWS

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TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

IMMEDIATE RELEASE
11, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

rest Rate:	5 1/4%	Issue Date:	May 17, 1999
es:	F-2004	Dated Date:	May 15, 1999
P No:	9128275F5	Maturity Date:	May 15, 2004
PS Minimum:	$800,000		

High Yield: 5.367% Price: 99.493

All noncompetitive and successful competitive bidders were awarded
:ities at the high yield. Tenders at the high yield were
:ted 75%. All tenders at lower yields were accepted in full.

Accrued interest of $ 0.28533 per $1,000 must be paid for the period
May 15, 1999 to May 17, 1999.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 25,565,500	$ 14,490,500
Noncompetitive	510,169	510,169
PUBLIC SUBTOTAL	26,075,669	15,000,669 1/
Federal Reserve	2,561,624	2,561,624
Foreign Official Inst.	1,350,000	1,350,000
TOTAL	$ 29,987,293	$ 18,912,293

edian yield 5.348%: 50% of the amount of accepted competitive tenders
endered at or below that rate. Low yield 5.279%: 5% of the amount
cepted competitive tenders was tendered at or below that rate.

›-Cover Ratio = 26,075,669 / 15,000,669 = 1.74

ırds to TREASURY DIRECT = $305,692,000

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TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

ꝛ IMMEDIATE RELEASE
/ 12, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 10-YEAR NOTES

:erest Rate:	5 1/2%	Issue Date:	May 17, 1999
:ies:	B-2009	Dated Date:	May 15, 1999
;IP No:	9128275G3	Maturity Date:	May 15, 2009
ꝛIPS Minimum:	$400,000		

High Yield: 5.510% Price: 99.923

All noncompetitive and successful competitive bidders were awarded :urities at the high yield. Tenders at the high yield were .otted 59%. All tenders at lower yields were accepted in full.

Accrued interest of $ 0.29891 per $1,000 must be paid for the period ›m May 15, 1999 to May 17, 1999.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 19,350,300	$ 11,868,000
Noncompetitive	135,359	135,359
PUBLIC SUBTOTAL	19,485,659	12,003,359 1
Federal Reserve	2,045,000	2,045,000
Foreign Official Inst.	750,000	750,000
TOTAL	$ 22,280,659	$ 14,798,359

Median yield 5.470%: 50% of the amount of accepted competitive tenders tendered at or below that rate. Low yield 5.420%: 5% of the amount accepted competitive tenders was tendered at or below that rate.

-to-Cover Ratio = 19,485,659 / 12,003,359 = 1.62

Awards to TREASURY DIRECT = $48,932,000

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 10:00 A.M. EDT
Text as Prepared for Delivery
May 13, 1999

TREASURY UNDER SECRETARY (ENFORCEMENT)
JAMES E. JOHNSON
SENATE COMMITTEE ON FINANCE

Thank you Mr. Chairman, Senator Moynihan, and members of the Committee. It is an honor for me to be here today in support of the United States Customs Service and Customs' efforts to carry out its intricate, dual responsibilities of facilitating international trade and pursuing aggressive enforcement of the law.

With me today is Raymond W. Kelly, Commissioner of the U.S. Customs Service, and Nancy S. Killefer, the Assistant Secretary for Management and Chief Financial Officer of the Department of the Treasury. I ask the Chairman's consent that my written statement be entered in full into the official record of these proceedings.

Introduction

As each year passes, the world becomes a more complex and a more dangerous place. The danger to law enforcement personnel is brought home to all of us this week as we mark Police Week and honor those who have sacrificed their lives in service to our Nation. Customs' vital place within this law enforcement community and in the service it provides to the country makes this an important hearing. We thank the Committee for its continuing interest in, and support for the U.S. Customs Service.

This is a unique moment in Customs' long and proud history. It faces daunting challenges based upon a mission that, on the one hand, requires the facilitation of legitimate commerce and travel while, on the other, requires the greatest vigilance in countering attempts to smuggle narcotics and other contraband into our country.

For our nation on the whole, the falling of trade and other barriers has had the positive effect of increasing the flow of legitimate goods and honest travelers across borders. It also, however, has created more demands on Customs, which constantly must guard against drug traffickers who might seek to hide their illicit products in ostensibly legitimate cargo. For

RR-3146

Customs, this has meant a heightening of the challenges it faces as either the first welcome to the honest traveler or the first line of defense against the dishonest.

Customs is meeting these trade and enforcement challenges in large part through the dedication and professionalism of its people. It also, however, is moving into a better position to respond to challenges because of its willingness to adopt changes that will make an already strong agency that much stronger.

One of its most powerful agents of change is its Commissioner. Through his entire professional career and, most notably for purposes of this hearing, as Under Secretary for Enforcement and Commissioner of Customs, Raymond Kelly has had a unique capability of evaluating an organization, reinforcing those elements proven to be constructive, and overhauling those in need of repair. His ability to make change work for an organization has always led to a more productive workforce, more accountable management, and better service to the public.

In the case of Customs, the Commissioner is pursuing his agenda for change through development of a detailed action plan that he actually began developing while serving as Under Secretary. The action plan includes tangible goals for improvements in the organization's structure, management, and operations.

My remarks today will focus mainly on the Department's role, particularly that of the Office of Enforcement, in providing support to Commissioner Kelly and Customs as they pursue the action plan and perform Customs' mission in an environment of constrained budgets and increasing demand for services.

The Role of the Office of Enforcement

Our support of Customs and its mission comes in a variety of forms, two of which are policy guidance and operational oversight. By enhancing both, we help ensure that Customs performs its mission as safely, professionally, and effectively as possible.

Policy Oversight

The Office of Enforcement is actively involved in the development of Customs-related programs such as Operations Hardline, Gateway, and Brass Ring, as well as the Border Coordination Initiative. These programs will better ensure that Customs has the tools it needs and deserves to combat narcotics trafficking.

In addition, Enforcement works with Customs in the development and maintenance of vital public-private partnerships to enhance trade, revenue collection, and industry compliance, most notably through the Commercial Operations Advisory Committee (COAC). This advisory committee was established several years ago at the initiative of this Committee. It provides Treasury, and the Customs Service, with the perspectives and advice of the private sector groups affected by Customs' operations. Over the years, COAC has been highly influential on issues such as development of an automated export reporting system, and streamlining of Customs procedures.

Committee members also have assisted us in organizing efforts within the trade community to keep drugs out of commercial shipments. Committee members were leaders in creating the Business Anti-Smuggling Coalition and the Border Carrier Initiative, both of which have effectively involved members of the international trade community in self-policing efforts.

Additionally, Customs has sought to leverage private sector resources to assist us in meeting our goals. For example, at the Federal Express hub in Memphis, Tennessee, Customs is able to use on-site resources to assist in clearing packages entering and leaving the United States.

Our support of Customs extends to the international arena, where we work to obtain cooperation of other governments on issues vital to Customs, including counter-narcotics cooperation and the harmonization of Customs procedures. We also are creating a single International Trade Data System for the collection, use, and dissemination of information on international trade. One of our most important efforts is working with Customs to modernize its existing automated commercial system through the development of a new Automated Commercial Environment (ACE), which will be critical to meeting trade processing needs of the future.

We also provide policy guidance to Customs and all of the Treasury bureaus on operational issues. Policies created through such guidance include the Use of Force Policy, Guidelines for Sensitive Undercover Operations, and General Guidelines on the Use of Cooperating Individuals and Confidential Informants. Consistent policies allow the various law enforcement agencies to work more effectively and safely together on task forces.

In addition, to strengthen policy coordination among Customs, other bureaus, and the Department, such mechanisms as the Treasury Enforcement Council, the Treasury Terrorism Advisory Group, and the Financial Crime Steering Committee and Working Group have been established at the Departmental level. The Office of Enforcement also promotes coordination with other agencies through representation of Customs and other bureaus at interagency meetings involving Justice, the National Security Council, ONDCP, and the Department of State.

Office of Professional Responsibility

To further enhance day-to-day operational oversight, we created the Office of Professional Responsibility (OPR) within the Office of Enforcement. OPR is structured to have a Senior Oversight Advisor responsible for direct oversight of each enforcement bureau and office. In addition, OPR will have advisors who deal exclusively with crosscutting issues, such as internal affairs, inspection, training, and EEO.

While relatively recent in origin, OPR already has focused a great deal on the Customs Service in an effort to support and improve the agency's pursuit of its mission. Immediately upon creation of OPR, it was tasked with performing a top-to-bottom, year-long review of the Customs Office of Internal Affairs and its processes. The report was released to the Congress in February 1999. The recommendations in OPR's report, most of which have already been implemented by Commissioner Kelly, will help dramatically improve Customs' internal affairs capability.

Through OPR and the constant attention of senior policy makers, the Office of Enforcement will ensure that the type of focus brought to the Internal Affairs review will continue as Customs seeks to improve all of its operations.

Strategic Planning Process

Treasury is committed to using the strategic planning process to accomplish our goals and guide budget formulation and resource allocation. The Secretary, Deputy Secretary and the Under Secretary for Enforcement were personally involved in the development of Treasury's FY 1997-2002 Strategic Plan.

Working closely with the Office of Management and Treasury's law enforcement bureaus, the Office of Enforcement evaluated the missions and unique characteristics of the bureaus and formulated broad policy goals for the Department's law enforcement mission. These policy goals were discussed with enforcement bureau heads in two planning off-sites chaired by the Secretary in June 1997. Based on the Secretary's guidance, Enforcement established priorities for Customs at that time to: 1) prevent drugs from entering the country; and 2) ensure the highest percentage of compliance to tariff and trade laws. Customs, as well as the other bureaus, then developed strategic plans which were reviewed, refined, and approved by the Department.

The strategic plans provide direction for the budget formulation process and lay the foundation for performance planning. Beginning in FY 1997, Treasury defined performance goals for each budget activity and integrated into our budget justification the proposed performance plan for the budget year, and the final performance plan for the current year. Thus, budget justification documents request resources under each budget activity and are linked to their respective performance goals and supporting performance measures.

In addition, Enforcement is also working to coordinate law enforcement measures with other agencies. During 1998, the Offices of Enforcement and Management jointly created the Law Enforcement Performance Measures Working Group to formalize the intra-agency coordination of law enforcement measures. While there is much to be done in this area, Customs worked with the Department of Agriculture and the Immigration and Naturalization Service to develop the interagency goal of clearing international air passengers in 30 minutes or less, while improving enforcement and regulatory processing.

As the Committee is aware, the performance measurement process throughout the government is continuing to evolve. However, we are making a concerted effort to measure and assess bureau performance in a proactive manner that is linked to resource allocation. Equally important, we are striving to assure the presentation of key measures that reflect program results rather than the traditional output oriented or workload measures. We share the Committee's goal of ensuring that we have the right measures and incorporating them in our budget process.

As the performance measurement system evolves, we continue to assess how accurately the measures in question reflect organizational effectiveness. Currently, the measures judge success only as meeting a precise numeric goal, without reference to how close a bureau comes to achieving that goal.

Thus, in FY 1998, Treasury law enforcement achieved approximately 63 percent of its 115 performance targets. For its part, the Customs Service met approximately 46 percent of its 48 performance targets for FY 1998. If one includes those measures where the Treasury law enforcement bureaus' performance was at least 90 percent, 83 percent of the measures were met, and for Customs in particular, their performance was at 79 percent. We are reviewing these results to determine how we can work with Customs to improve its overall performance. As part of this review, we are looking to determine whether the measures set were appropriate and that the measures accurately reflect program results. To this end, Enforcement has worked with Customs to refine its targets for FY 2000. As this process continues, we expect to make further improvements in future presentations.

As the amount and quality of performance data grows more robust, Treasury will continue to formulate its budget proposals based on concerns about gaps in performance. In many cases, demand-driven workload may be challenging the capacity to achieve acceptable results. Despite a tremendous increase in its responsibilities, Customs is making the best possible effort to achieve its goals. Automation is critical to Customs' ability to enhance its efficiency and continue to meet its goals. That is the principal reason the ACE initiative is so vital. Other cases may also justify resource enhancements for sensible investments in technology that improve productivity while also improving quality (e.g., non-intrusive inspection equipment for ports and border crossings). We are committed to working closely with the Committee in making these assessments.

Conclusion

In summary, the Treasury Department is proud – and I am personally proud – of the contributions that the U.S. Customs Service has made and continues to make to this Nation. Treasury and Customs have defined goals and objectives to ensure excellence in protecting our borders, defeating financial crimes, and facilitating international commerce and passenger service. Increasingly realistic strategies and goals, effective law enforcement and compliance, and a commitment to work in partnership with the regulated commercial community toward modernization, will enable Customs to make great strides in meeting current challenges and to begin preparations for the daunting challenges facing us in the 21st century.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED FOR RELEASE UNTIL 10 a.m. EDT
May 13, 1999

TREASURY SECRETARY ROBERT E. RUBIN
REMARKS TO NEW YORK UNIVERSITY COMMENCEMENT
NEW YORK, NY

Chairman Lipton and Members of the Board of Trustees; President Oliva; distinguished fellow honorees; deans and administrators; faculty; honored guests; and graduates of the class of 1999 -- their friends and families.

Thank you for this honor.

President Franklin Delano Roosevelt once gave the following advice to speakers. He said: Be sincere; be brief; be seated. Today, I will try to be all three.

You graduate today in a world starkly different, in many ways, from the one in which I graduated. It's far more interconnected. Information moves dramatically faster. The decision cycle is vastly shorter. Economies and people around the world are more closely linked than ever before. Decisions made in one capital can be felt across the globe. In the complex world of today, decision making has become even more difficult, but the fundamentals of decision making have remained the same. And, one lesson I can draw from my life is that effective decision making is the key to almost everything you will do.

When I arrived at college, I had never given much thought to how I made decisions. College began changing that. What first struck me was the skeptical atmosphere. Our professors' words weren't seen as unquestioned truths, but as starting points for criticism and thought. In my sophomore year, I took Philosophy I from a wonderful, elderly professor named Raphael Demos. His whole point was to show that every assertion ultimately rested on a basic principle that could not be proven. It could only be assumed or believed. That conclusion, together with what I learned in law school, fundamentally shaped the way I've made decisions ever since.

As I think back over the years, I have been guided by four principles for decision making.

RR-3147

First, the only certainty is that there is no certainty. Second, every decision, as a consequence, is a matter of weighing probabilities. Third, despite uncertainty we must decide and we must act. And lastly, we need to judge decisions not only on the results, but on how they were made.

First, uncertainty.

When my father was in college, he too had signed up for a course in philosophy with a renowned professor. On the first day of class, the professor debated the question of whether you could prove that the table at the front of the room existed. My father is very bright and very pragmatic. He went to the front of the room, pounded on the table with his hand, decided it was there -- and promptly dropped the course.

My view is quite the opposite. I believe that there are no absolutes.

If there are no absolutes then all decisions become matters of judging the probability of different outcomes and the costs and benefits of each. Then, on that basis, you can make a good decision.

The business I was in for 26 years was all about making decisions in exactly this way.

I remember once, many years ago, when a securities trader at another firm told me he had purchased a large block of stock. He did this because he was sure -- absolutely certain -- a particular set of events would occur. I looked, and I agreed that there were no evident roadblocks. He, with his absolute belief, took a very, very large position. I, highly optimistic but recognizing uncertainty, took a large position. Something totally unexpected happened. The projected events did not occur. I caused my firm to lose a lot of money, but not more than it could absorb. He lost an amount way beyond reason -- and his job.

A healthy respect for uncertainty and focus on probability drives you never to be satisfied with your conclusions. It keeps you moving forward to seek out more information, to question conventional thinking and to continually refine your judgments. And understanding that difference between certainty and likelihood can make all the difference. It might even save your job.

Third, being decisive in the face of uncertainty. In the end, all decisions are based on imperfect or incomplete information. But decisions must be made -- and on a timely basis -- whether in school, on the trading floor, or in the White House.

I remember one night at Treasury, a group of us were in the Deputy Secretary's Office, deciding whether or not the U.S. should take the very significant step of moving to shore up the value of another nation's currency. It was, to say the least, a very complicated situation. As we talked, new information became available and new considerations were raised. The discussion could have gone on indefinitely. But we didn't have that luxury: markets wait for no one. And, so, as the clocked ticked down and the Asian markets were ready to open, we made the best decision in light of what we knew at the time. The circumstances for decision making may never be ideal. But you must decide nonetheless.

Fourth, and finally, judging decisions. Decisions tend to be judged solely on the results they produce. But I believe the right test should focus heavily on the quality of the decision making itself.

It's not that results don't matter. They do. But judging solely on results is a serious deterrent to taking the risks that may be necessary to making the right decision. Simply put, the way decisions are evaluated affects the way decisions are made. I believe the public would be better served, and their elected officials and others in Washington would be able to do a more effective job, if judgments were based on the quality of decision making instead of focusing solely on outcomes.

Time and again during my tenure as Treasury Secretary and when I was on Wall Street, I have faced difficult decisions. But the lesson is always the same: good decision making is the key to good outcomes. Reject absolute answers and recognize uncertainty. Weigh the probabilities. Don't let uncertainty paralyze you. And evaluate decisions not just on the results, but on how they are made.

You've just completed an important milestone in developing your ability to deal effectively with the complex choices of the world in which you will live and work. By continuing to build on this foundation throughout your life, you will be well prepared for the great opportunities and challenges of the new century.

Congratulations and good luck.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
May 13, 1999

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million to refund $15,576 million of publicly held securities maturing May 20, 1999, and to pay down about $576 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $7,967 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $1,978 million held by Federal Reserve Banks as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the highest discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $940 million into the 13-week bill and $748 million into the 26-week bill.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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TO BE ISSUED MAY 20, 1999

May 13, 199

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 CA 7	912795 CV 1
Auction date	May 17, 1999	May 17, 1999
Issue date	May 20, 1999	May 20, 1999
Maturity date	August 19, 1999	November 18, 1999
Original issue date	August 20, 1998	May 20, 1999
Currently outstanding	$26,919 million	---
Minimum bid amount and multiples	$1,000	$1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids .... Accepted in full up to $1,000,000 at the highest discount rate of accepted competitive bids.

Competitive bids .... (1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 7.100%, 7.105%.

(2) Net long position for each bidder must be reported when the su of the total bid amount, at all discount rates, and the net lo position is $1 billion or greater.

(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield .... 35% of public offering

Maximum Award.................... 35% of public offering

Receipt of Tenders:

Noncompetitive tenders ...... Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders .... Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

May 14, 1999

The Honorable Trent Lott
Majority Leader
United States Senate
Washington, D.C. 20510

Dear Senator Lott:

We are writing concerning the Senate's deliberations on legislative proposals to close the gun show loophole, and specifically the amendment proposed yesterday by Senators Hatch and Craig. Not only will it fail to close the loophole, but it will pose significant additional problems for law enforcement and public safety.

The amendment will allow a significant number of firearms to be sold at gun shows without Brady background checks and without records that would permit the tracing of crime guns. It will create a category of persons who would still be able to sell guns in volume at gun shows without background checks (the "special licensee"). In addition, a second category of persons, "special registrants," would be authorized as intermediaries to conduct background checks but would not be required, as licensed dealers are, to assist law enforcement in tracing firearms if those firearms were used in a crime. Further, by creating these two new categories, both of which would have access to the National Instant Criminal Background Check System ("NICS"), the amendment greatly enlarges the number of persons who will learn about the existence of very sensitive personal information in the system and increases the risk that this information could be abused.

The amendment would also seriously impede the effectiveness of the NICS. It would reduce – from three business days to just 24 hours – the period of time that law enforcement has to ensure that firearms sold at gun shows are not being sold to felons and other prohibited persons. Our experience with the NICS shows that more than 20% of the checks cannot be completed instantly, and some can take a number of days to complete.

The amendment also would undermine public safety in at least two other respects. First, it would permit felons and other prohibited persons to redeem firearms from pawnbrokers without background checks. This is a step backward from the Brady Act which requires checks for all pawnshop redemptions. Second, it would undermine State controls on the sales of firearms within their borders by allowing licensees to sell firearms in States other than where they are licensed and established to be in full compliance with State and local laws.

In contrast to the Hatch-Craig Amendment, the amendment proposed by Senator Lautenberg, which we strongly support, would actually close the gun show loophole by requiring background checks and crime gun tracing records for all sales at gun shows.

Respectfully,

Robert Rubin
Secretary of the Treasury

Janet Reno
Attorney General

cc: The Honorable Orrin G. Hatch
Chairman, Committee on the Judiciary

The Honorable Patrick J. Leahy
Ranking Member, Committee on the Judiciary

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FEDERAL FINANCING BANK April 30, 1999

Paula Farrell, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of March 1999.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $41.5 billion on March 31, 1999, posting a decrease of $1,697.0 million from the level on February 28, 1999. This net change was the result of decreases in holdings of agency debt of $1,180.3 million, in holdings of agency assets of $375.0 million, and in holdings of agency guaranteed loans of $141.7 million. FFB made 96 disbursements during the month of March and also executed 76 maturity extensions on behalf of Rural Utilities Service-guaranteed borrowers. FFB received 17 prepayments in March.

Attached to this release are tables presenting FFB March loan activity and FFB holdings as of March 31, 1999.

RR-3151

FEDERAL FINANCING BANK
MARCH 1999 ACTIVITY

OWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
CY DEBT				
. POSTAL SERVICE				
. Postal Service	3/1	$71,800,000.00	3/2/99	4.836% S/A
. Postal Service	3/1	$750,000,000.00	3/2/99	4.789% S/A
. Postal Service	3/1	$100,000,000.00	3/2/99	4.789% S/A
. Postal Service	3/1	$50,000,000.00	3/2/99	4.789% S/A
. Postal Service	3/2	$86,100,000.00	3/3/99	4.784% S/A
. Postal Service	3/2	$450,000,000.00	3/3/99	4.836% S/A
. Postal Service	3/2	$100,000,000.00	3/3/99	4.836% S/A
. Postal Service	3/2	$50,000,000.00	3/3/99	4.836% S/A
. Postal Service	3/3	$161,500,000.00	3/4/99	4.742% S/A
. Postal Service	3/3	$265,000,000.00	3/4/99	4.784% S/A
. Postal Service	3/3	$75,000,000.00	3/4/99	4.784% S/A
. Postal Service	3/4	$168,400,000.00	3/5/99	4.742% S/A
. Postal Service	3/4	$125,000,000.00	3/5/99	4.742% S/A
. Postal Service	3/5	$89,700,000.00	3/8/99	4.750% S/A
. Postal Service	3/5	$900,000,000.00	3/8/99	4.742% S/A
Postal Service	3/5	$100,000,000.00	3/8/99	4.742% S/A
Postal Service	3/5	$50,000,000.00	3/8/99	4.742% S/A
Postal Service	3/8	$63,200,000.00	3/9/99	4.763% S/A
Postal Service	3/8	$1,230,000,000.00	3/9/99	4.750% S/A
Postal Service	3/8	$100,000,000.00	3/9/99	4.750% S/A
Postal Service	3/8	$50,000,000.00	3/9/99	4.750% S/A
Postal Service	3/9	$33,100,000.00	3/10/99	4.721% S/A
Postal Service	3/9	$1,070,000,000.00	3/10/99	4.763% S/A
Postal Service	3/9	$100,000,000.00	3/10/99	4.763% S/A
Postal Service	3/10	$99,000,000.00	3/11/99	4.721% S/A
Postal Service	3/10	$950,000,000.00	3/11/99	4.721% S/A
Postal Service	3/10	$50,000,000.00	3/11/99	4.721% S/A
Postal Service	3/11	$121,700,000.00	3/12/99	4.742% S/A
Postal Service	3/11	$720,000,000.00	3/12/99	4.721% S/A
Postal Service	3/11	$100,000,000.00	3/12/99	4.721% S/A
Postal Service	3/11	$50,000,000.00	3/12/99	4.721% S/A
Postal Service	3/12	$80,300,000.00	3/15/99	4.719% S/A
Postal Service	3/12	$630,000,000.00	3/15/99	4.742% S/A
Postal Service	3/12	$100,000,000.00	3/15/99	4.742% S/A
Postal Service	3/12	$50,000,000.00	3/15/99	4.742% S/A
Postal Service	3/15	$123,300,000.00	3/16/99	4.732% S/A
Postal Service	3/15	$495,000,000.00	3/16/99	4.719% S/A
Postal Service	3/15	$100,000,000.00	3/16/99	4.719% S/A
Postal Service	3/16	$115,500,000.00	3/17/99	4.680% S/A
Postal Service	3/16	$170,000,000.00	3/17/99	4.732% S/A
Postal Service	3/16	$100,000,000.00	3/17/99	4.732% S/A
Postal Service	3/16	$50,000,000.00	3/17/99	4.732% S/A
Postal Service	3/17	$137,100,000.00	3/18/99	4.659% S/A
Postal Service	3/17	$100,000,000.00	3/18/99	4.680% S/A

is a Semi-annual rate.

FEDERAL FINANCING BANK
MARCH 1999 ACTIVITY

)WER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
:Y DEBT				
POSTAL SERVICE				
Postal Service	3/17	$50,000,000.00	3/18/99	4.680% S/A
Postal Service	3/18	$120,100,000.00	3/19/99	4.638% S/A
Postal Service	3/19	$88,200,000.00	3/22/99	4.636% S/A
Postal Service	3/19	$750,000,000.00	3/22/99	4.638% S/A
Postal Service	3/19	$100,000,000.00	3/22/99	4.638% S/A
Postal Service	3/19	$50,000,000.00	3/22/99	4.638% S/A
Postal Service	3/22	$80,100,000.00	3/23/99	4.649% S/A
Postal Service	3/22	$50,000,000.00	3/23/99	4.636% S/A
Postal Service	3/22	$100,000,000.00	3/23/99	4.636% S/A
Postal Service	3/22	$1,100,000,000.00	3/23/99	4.636% S/A
Postal Service	3/23	$96,900,000.00	3/24/99	4.628% S/A
Postal Service	3/23	$870,000,000.00	3/24/99	4.649% S/A
Postal Service	3/23	$100,000,000.00	3/24/99	4.649% S/A
Postal Service	3/23	$50,000,000.00	3/24/99	4.649% S/A
Postal Service	3/24	$152,000,000.00	3/25/99	4.628% S/A
Postal Service	3/24	$820,000,000.00	3/25/99	4.628% S/A
Postal Service	3/24	$50,000,000.00	3/25/99	4.628% S/A
Postal Service	3/25	$120,000,000.00	3/26/99	4.638% S/A
Postal Service	3/25	$620,000,000.00	3/26/99	4.628% S/A
Postal Service	3/25	$100,000,000.00	3/26/99	4.628% S/A
Postal Service	3/25	$50,000,000.00	3/26/99	4.628% S/A
Postal Service	3/26	$158,500,000.00	3/29/99	4.636% S/A
Postal Service	3/26	$530,000,000.00	3/29/99	4.638% S/A
Postal Service	3/26	$100,000,000.00	3/29/99	4.638% S/A
Postal Service	3/26	$50,000,000.00	3/29/99	4.638% S/A
Postal Service	3/29	$80,100,000.00	3/30/99	4.638% S/A
Postal Service	3/29	$460,000,000.00	3/30/99	4.636% S/A
Postal Service	3/29	$100,000,000.00	3/30/99	4.636% S/A
Postal Service	3/29	$50,000,000.00	3/30/99	4.636% S/A
Postal Service	3/30	$79,200,000.00	3/31/99	4.607% S/A
Postal Service	3/30	$375,000,000.00	3/31/99	4.638% S/A
Postal Service	3/31	$168,400,000.00	4/1/99	4.617% S/A
Postal Service	3/31	$75,000,000.00	4/1/99	4.607% S/A
1MENT - GUARANTEED LOANS				
?AL SERVICES ADMINISTRATION				
)lee Office Building	3/9	$80,700.00	4/1/99	4.763% S/A
' Services Contract	3/19	$60,430.04	7/31/25	5.685% S/A
' Services Contract	3/19	$54,871.30	7/31/25	5.685% S/A
Building	3/22	$1,024,188.87	11/2/26	5.740% S/A
Headquarters	3/22	$115,765.00	7/1/25	5.743% S/A

s a Semi-annual rate.

FEDERAL FINANCING BANK
MARCH 1999 ACTIVITY

WER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
RTMENT OF EDUCATION				
une Cookman	3/1	$173,035.25	9/1/27	5.781% S/A
. State College	3/15	$277,952.40	9/1/26	5.738% S/A
. State College	3/16	$66,497.20	9/1/26	5.714% S/A
L UTILITIES SERVICE				
oll Elec. #488	3/1	$500,000.00	12/31/08	5.377% Qtr.
eye Tri-County Elec.	3/8	$805,000.00	1/3/33	5.753% Qtr.
h Miss. Elec. #421	3/8	$773,000.00	12/31/18	5.705% Qtr.
tal Electric #460	3/12	$535,000.00	12/31/31	5.713% Qtr.
State E.M.C. #503	3/15	$1,000,000.00	1/3/33	5.670% Qtr.
Wal Elec. #514	3/22	$1,704,000.00	1/2/29	5.691% Qtr.
ge County Elec. #466	3/22	$725,000.00	10/2/28	5.641% Qtr.
land Tele. #502	3/25	$4,362,000.00	1/3/17	5.497% Qtr.
hez Trace Elec. #487	3/25	$1,500,000.00	1/3/33	5.674% Qtr.
halls Energy Co. #458	3/26	$310,000.00	1/2/18	5.980% Qtr.
er Elec. #485	3/29	$1,000,000.00	3/31/06	5.426% Qtr.
gheny Electric #255	3/31	$3,416,273.29	9/30/99	4.600% Qtr.
gheny Electric #255	3/31	$4,880,999.53	9/30/99	4.600% Qtr.
gheny Electric #908	3/31	$891,770.74	6/30/99	4.482% Qtr.
gheny Electric #908	3/31	$2,728,751.67	6/30/99	4.482% Qtr.
gheny Electric #908	3/31	$3,977,043.83	6/30/99	4.482% Qtr.
gheny Electric #908	3/31	$2,511,969.44	9/30/99	4.600% Qtr.
s Electric #917	3/31	$3,525,061.27	6/30/99	4.482% Qtr.
s Electric #917	3/31	$1,565,683.55	6/30/99	4.482% Qtr.
s Electric #917	3/31	$386,986.13	6/30/99	4.482% Qtr.
s Electric #917	3/31	$892,607.08	6/30/99	4.482% Qtr.
s Electric #917	3/31	$1,165,468.27	6/30/99	4.482% Qtr.
s Electric #917	3/31	$776,128.56	6/30/99	4.482% Qtr.
s Electric #917	3/31	$446,232.16	6/30/99	4.482% Qtr.
s Electric #917	3/31	$834,267.27	6/30/99	4.482% Qtr.
s Electric #917	3/31	$999,261.03	6/30/99	4.482% Qtr.
s Electric #917	3/31	$322,230.52	6/30/99	4.482% Qtr.
s Electric #917	3/31	$233,862.21	6/30/99	4.482% Qtr.
s Electric #917	3/31	$398,640.48	6/30/99	4.482% Qtr.
s Electric #917	3/31	$233,636.79	6/30/99	4.482% Qtr.
s Electric #917	3/31	$167,394.25	6/30/99	4.482% Qtr.
s Electric #917	3/31	$145,833.53	6/30/99	4.482% Qtr.
s Electric #917	3/31	$79,898.15	6/30/99	4.482% Qtr.
s Electric #917	3/31	$120,733.54	6/30/99	4.482% Qtr.
s Electric #917	3/31	$38,859.31	6/30/99	4.482% Qtr.
s Electric #917	3/31	$1,276,960.53	6/30/99	4.482% Qtr.
s Electric #917	3/31	$386,192.10	6/30/99	4.482% Qtr.
s Electric #917	3/31	$198,373.44	6/30/99	4.482% Qtr.
s Electric #917	3/31	$256,624.20	6/30/99	4.482% Qtr.

s a Semi-annual rate: Qtr. is a Quarterly rate.
rity extension or interest rate reset

FEDERAL FINANCING BANK
MARCH 1999 ACTIVITY

OWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
RNMENT - GUARANTEED LOANS				
AL UTILITIES SERVICE				
zos Electric #917	3/31	$963,901.34	6/30/99	4.482% Qtr.
zos Electric #917	3/31	$2,887,281.16	6/30/99	4.482% Qtr.
zos Electric #917	3/31	$1,729,114.41	6/30/99	4.482% Qtr.
zos Electric #917	3/31	$1,036,257.64	6/30/99	4.482% Qtr.
zos Electric #917	3/31	$625,667.13	6/30/99	4.482% Qtr.
zos Electric #917	3/31	$965,974.27	6/30/99	4.482% Qtr.
zos Electric #917	3/31	$524,795.69	6/30/99	4.482% Qtr.
zos Electric #917	3/31	$1,514,261.82	6/30/99	4.482% Qtr.
zos Electric #917	3/31	$1,824,491.61	6/30/99	4.482% Qtr.
zos Electric #917	3/31	$443,904.54	6/30/99	4.482% Qtr.
zos Electric #917	3/31	$1,191,000.94	6/30/99	4.482% Qtr.
zos Electric #917	3/31	$1,547,500.88	6/30/99	4.482% Qtr.
zos Electric #917	3/31	$2,544,169.87	6/30/99	4.482% Qtr.
zos Electric #917	3/31	$2,723,254.90	6/30/99	4.482% Qtr.
zos Electric #437	3/31	$1,445,346.33	6/30/99	4.607% Qtr.
zos Electric #437	3/31	$327,845.32	6/30/99	4.607% Qtr.
. Power Assoc. #130	3/31	$1,061,297.50	4/2/01	5.056% Qtr.
. Power Assoc. #156	3/31	$5,095,663.78	4/2/01	5.058% Qtr.
ers Telephone #399	3/31	$5,029,023.78	6/30/00	4.890% Qtr.
gia Trans. Corp. #446	3/31	$3,347,036.78	1/2/24	5.752% Qtr.
gia Trans. Corp. #446	3/31	$3,462,678.98	1/2/24	5.752% Qtr.
gia Trans. Corp. #446	3/31	$6,134,436.09	1/2/18	5.462% Qtr.
Horizon Elec. #473	3/31	$5,389,257.26	6/30/99	4.607% Qtr.
Horizon Elec. #473	3/31	$1,443,223.14	6/30/99	4.607% Qtr.
Horizon Elec. #473	3/31	$2,334,695.76	6/30/99	4.607% Qtr.
Horizon Elec. #473	3/31	$6,919,537.75	6/30/99	4.607% Qtr.
Horizon Elec. #473	3/31	$3,524,024.15	6/30/99	4.607% Qtr.
Horizon Elec. #473	3/31	$7,182,148.08	6/30/99	4.607% Qtr.
Horizon Elec. #473	3/31	$1,813,144.40	6/30/99	4.607% Qtr.
hwest Iowa Power #907	3/31	$6,656,156.93	6/30/99	4.482% Qtr.
thorpe Power #445	3/31	$16,500,192.62	4/2/01	5.061% Qtr.
thorpe Power #445	3/31	$17,070,284.41	4/2/01	5.061% Qtr.
thorpe Power #445	3/31	$15,645,568.63	6/30/99	4.482% Qtr.
1 Miss. Elec. #090	3/31	$2,741,851.90	12/31/12	5.336% Qtr.
la River Elec. #472	3/31	$1,332,326.77	6/30/99	4.607% Qtr.
Miguel Electric #919	3/31	$9,124,077.71	6/30/99	4.482% Qtr.
Miguel Electric #919	3/31	$9,580,388.32	6/30/99	4.482% Qtr.
ed Power Assoc. #911	3/31	$837,004.66	6/30/99	4.482% Qtr.
ed Power Assoc. #911	3/31	$10,044,055.02	6/30/99	4.482% Qtr.
ed Power Assoc. #911	3/31	$3,247,511.64	6/30/99	4.482% Qtr.
ed Power Assoc. #911	3/31	$2,736,416.69	6/30/99	4.482% Qtr.
ed Power Assoc. #911	3/31	$3,248,507.87	6/30/99	4.482% Qtr.
ed Power Assoc. #911	3/31	$3,458,369.92	6/30/99	4.482% Qtr.

is a Quarterly rate.
rity extension or interest rate reset

FEDERAL FINANCING BANK
MARCH 1999 ACTIVITY

)WER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
ꝛNMENT - GUARANTEED LOANS				
ıL UTILITIES SERVICE				
:ed Power Assoc. #911	3/31	$3,833,212.37	6/30/99	4.482% Qtr.
:ed Power Assoc. #911	3/31	$1,074,898.64	6/30/99	4.482% Qtr.
:ed Power Assoc. #911	3/31	$818,063.53	6/30/99	4.482% Qtr.
:ed Power Assoc. #911	3/31	$496,083.75	6/30/99	4.482% Qtr.
.ed Power Assoc. #911	3/31	$1,029,185.69	6/30/99	4.482% Qtr.

is a Quarterly rate.
urity extension or interest rate reset

FEDERAL FINANCING BANK HOLDINGS
(in millions)

Program	March 31, 1999	February 28, 1999	Net Change 03/1-03/31/99	Fiscal Year Net Change 10/1/98-03/31/99
Agency Debt:				
USPS	$2,493.4	$3,673.7	($1,180.3)	($3,202.7)
sub-total*	$2,493.4	$3,673.7	($1,180.3)	($3,202.7)
Agency Assets:				
FmHA-RDIF	$3,675.0	$3,675.0	$0.0	$0.0
FmHA-RHIF	$8,715.0	$9,090.0	($375.0)	($785.0)
DHHS-HMO	$3.1	$3.1	$0.0	$0.0
DHHS-Medical Facilities	$7.2	$7.2	$0.0	$0.0
Rural Utilities Service-CBO	$4,598.9	$4,598.9	$0.0	$0.0
sub-total*	$16,999.2	$17,374.2	($375.0)	($785.0)
Government-Guaranteed Lending:				
DOD-FMS	$2,721.2	$2,736.5	($15.3)	($107.9)
DoEd-HBCU+	$7.4	$6.9	$0.5	$2.8
DHUD-Community Dev. Block Grant	$15.2	$15.2	$0.0	($15.2)
DHUD-Public Housing Notes	$1,419.9	$1,419.9	$0.0	($71.5)
General Services Administration+	$2,445.0	$2,447.9	($2.9)	($28.1)
DOI-Virgin Islands	$16.5	$16.5	$0.0	($1.0)
DON-Ship Lease Financing	$1,138.7	$1,138.7	$0.0	($86.2)
Rural Utilities Service	$13,979.8	$14,099.7	($119.9)	($186.7)
SBA-State/Local Development Cos.	$213.5	$217.5	($4.0)	($19.9)
DOT-Section 511	$3.8	$3.8	($0.0)	($0.1)
sub-total*	$21,961.0	$22,102.6	($141.7)	($513.7)
	=======	=======	=======	=======
grand total*	$41,453.6	$43,150.5	($1,697.0)	($4,501.4)

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 10:30 A.M. EDT
Text as Prepared for Delivery
May 17, 1999

TREASURY SECRETARY ROBERT E. RUBIN
REMARKS TO THE UNIVERSITY OF PENNSYLVANIA COMMENCEMENT
PHILADELPHIA, PA

Chairman Vagelos and the Board of Trustees. President Rodin. Provost Barchi. Deans. Faculty. Honored guests. Graduating students of the Class of 1999 -- their families and friends.

Thank you for this honor.

In approaching this commencement address, I'm mindful of an observation made by this university's founder, Ben Franklin. He said: "Here comes the orator with his flood of words and his drop of wisdom." I promise not to flood you with words. Whether I leave you with a drop of wisdom is for you to judge.

You graduate today in a world starkly different, in many ways, from the one in which I graduated. It's far more interconnected. Information moves dramatically faster. The decision cycle is vastly shorter. Economies and people around the world are more closely linked than ever before. Decisions made in one capital can be felt across the globe.

Business today is conducted largely without borders. When I first went to Wall Street, more than 32 years ago, finance, for example, was focused on the U.S. markets. We sold U.S. stocks and bonds to our clients and raised money for them in U.S. capital markets. Few overseas markets mattered. Even the biggest U.S. companies had but a limited overseas presence. Now, Fortune 500 firms are headquartered in the U.S. but are truly global in nature.

When I first joined an investment bank, I had to get a partner's signature to make an overseas call. Today traders live on global trading wires, and capital markets are integrated worldwide.
RR-3152

Global markets and technology have brought us together as never before. Pick up a newspaper and you'll find exchange rates for the Thai Baht and Korean Won -- currencies few people worried about when I began my career. Countries that were economically irrelevant to us 25 or 30 years ago, today provide great opportunities for American businesses and consumers. But, as demonstrated during the past two years, these same nations can also give rise to financial instability that can threaten economies around the world, no matter how strong.

Last year, for example, Russia's failed economic policy actions shook global market confidence -- and other countries felt the impact. A Latin American finance minister explained this dilemma to me last year. How, he asked, do I explain to my people why the value of our currency is shrinking and our interest rates are rising, all because the Russian parliament failed to raise taxes last week. This may sound unusual, but its true.

This interdependence isn't just in economics. Today we must deal with immense problems in other areas that begin in one nation but affect many others. Many of these are problems that no single nation can solve: Environmental problems, such as destruction of the rain forest, that can damage the atmosphere of the entire globe, or acid rain. Health problems, such as the startling incidence of HIV in the Sub-Saharan Africa population, that can spread so readily in an era of jet planes. And terrorism, nourished by despair in one country, with its consequences felt around the world.

Whether we meet these challenges of interdependence, and of the tension that exists between the sovereignty of nations and the need to work together to solve problems that have no borders, will shape the world you live in.

In the face of these realities, there are those who believe we should look inward and withdraw from the world. I believe the whole history of the twentieth century shows that this will not work. We would follow this advice at our peril. The world does not end at our shores -- it begins there.

In the complex world of today, decision making has become ever more difficult, but the fundamentals of decision making have remained the same. And, one lesson I can draw from my life is that effective decision making is the key to almost everything you will do.

When I arrived at college, I had never given much thought to how I made decisions. College began changing that. What first struck me was the skeptical atmosphere. Our professors' words weren't seen as unquestioned truths, but as starting points for criticism and thought. In my sophomore year, I took Philosophy I from a wonderful, elderly professor named Raphael Demos. His whole point was to show that every assertion ultimately rested on a basic principle that could not be proven. It could only be assumed or believed. That conclusion, together with what I learned in law school, fundamentally shaped the way I've made decisions ever since.

As I think back over the years, I have been guided by four principles for decision making.

First, the only certainty is that there is no certainty. Second, every decision, as a consequence, is a matter of weighing probabilities. Third, despite uncertainty we must decide and we must act. And lastly, we need to judge decisions not only on the results, but on how they were made.

First, uncertainty.

When my father was in college, he too had signed up for a course in philosophy with a renowned professor. On the first day of class, the professor debated the question of whether you could prove that the table at the front of the room existed. My father is very bright and very pragmatic. He went to the front of the room, pounded on the table with his hand, decided it was there -- and promptly dropped the course.

My view is quite the opposite. I believe that there are no absolutes.

If there are no absolutes then all decisions become matters of judging the probability of different outcomes, and the costs and benefits of each. Then, on that basis, you can make a good decision.

The business I was in for 26 years was all about making decisions in exactly this way.

I remember once, many years ago, when a securities trader at another firm told me he had purchased a large block of stock. He did this because he was sure -- absolutely certain -- a particular set of events would occur. I looked, and I agreed that there were no evident roadblocks. He, with his absolute belief, took a very, very large position. I, highly optimistic but recognizing uncertainty, took a large position. Something totally unexpected happened. The projected events did not occur. I caused my firm to lose a lot of money, but not more than it could absorb. He lost an amount way beyond reason -- and his job.

A healthy respect for uncertainty, and focus on probability, drives you never to be satisfied with your conclusions. It keeps you moving forward to seek out more information, to question conventional thinking and to continually refine your judgments. And understanding that difference between certainty and likelihood can make all the difference. It might even save your job.

Third, being decisive in the face of uncertainty. In the end, all decisions are based on imperfect or incomplete information. But decisions must be made -- and on a timely basis -- whether in school, on the trading floor, or in the White House.

I remember one night at Treasury, a group of us were in the Deputy Secretary's Office, deciding whether or not the U.S. should take the very significant step of moving to shore up the value of another nation's currency. It was, to say the least, a very complicated situation. As we talked, new information became available and new considerations were raised. The discussion could have gone on indefinitely. But we didn't have that luxury: markets wait for no one. And, so, as the clocked ticked down and the Asian markets were ready to open, we made the best decision in light of what we knew at the time. The circumstances for decision making may never be ideal. But you must decide nonetheless.

Fourth, and finally, judging decisions. Decisions tend to be judged solely on the results they produce. But I believe the right test should focus heavily on the quality of the decision making itself.

Two examples illustrate my point.

In 1995, the United States put together a financial support program to help Mexico's economy, which was then in crisis. Mexico stabilized and U.S. taxpayers even made money on the deal. Some said that the Mexico program was a good decision because it worked.

In contrast, last year, the U.S. supported an International Monetary Fund program designed to strengthen the Russian economy. The program was not successful and we were criticized on the grounds the program did not succeed.

I believe that the Mexican decision was right, not only because it worked, but also because of how we made the decision. And I believe the Russian decision was also right. The stakes were high, and the risk was worth taking.

It's not that results don't matter. They do. But judging solely on results is a serious deterrent to taking the risks that may be necessary to making the right decision. Simply put, the way decisions are evaluated, affects the way decisions are made. I believe the public would be better served, and their elected officials and others in Washington would be able to do a more effective job, if judgments were based on the quality of decision making instead of focusing solely on outcomes.

Time and again during my tenure as Treasury Secretary and when I was on Wall Street, I have faced difficult decisions. But the lessons is always the same: good decision making is the key to good outcomes. Reject absolute answers and recognize uncertainty. Weigh the probabilities. Don't let uncertainty paralyze you. And evaluate decisions not just on the results, but on how they are made.

The other thing I'd like to leave with you is that you will be entering a world of vastly increased interdependence -- one in which your lives will be enormously affected by decisions made outside of our borders. We must recognize this reality and reject the voices of withdrawal to face the challenges of interdependence. Then, we can realize the immense potential of the modern era, for our economy and our society.

You've just completed an important milestone in developing your ability to deal effectively with the complex choices of the world in which you will live and work. By continuing to build on this foundation throughout your life, you will be well prepared for the great opportunities and challenges of the new century.

Congratulations and good luck.

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PUBLIC DEBT NEWS

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

MEDIA ADVISORY
May 17, 1999

Contact: Dale Vanderheyden
(202)691-3510

John Longbrake
(202)622-2960

U.S. TREASURER TO HONOR STUDENT WINNERS OF SAVINGS BONDS NATIONAL POSTER CONTEST AT TREASURY DEPARTMENT CEREMONY

Mary Ellen Withrow, Treasurer of the United States, will honor three outstanding students who are the national award winners of the 8th Annual U.S. Savings Bonds poster contest on Thursday, May 20th at 1:30 p.m. in the Cash Room of the Treasury Department, 1500 Pennsylvania Ave., NW. , Washington, D.C.

Names of the National Winners will be announced on May 20.

First Place: from Rio Piedras, Puerto Rico

Second Place: from Tulsa, Oklahoma

Third Place: from Encino, California

The contest, for fourth through sixth graders, demonstrates Treasury's continued interest in encouraging America's children to learn more about the importance of savings and to develop an interest in the country's economic affairs. The winning posters were selected from 52 entries from the first place winners in each of the 50 states, the District of Columbia, and Puerto Rico. More than 20,000 elementary school students entered posters with the theme: "U.S. Savings Bonds--Creating a New Century of Savings."

PHOTO EDITORS/TV PRODUCERS: CAMERAS MUST BE IN PLACE BY 1:00 PM. PHOTO OPPORTUNITIES AVAILABLE WITH WINNERS AND TREASURER WITHROW IMMEDIATELY FOLLOWING CEREMONY.

Press without Treasury or White House credentials must provide full name, news organization, date of birth, and Social Security number to Treasury Public Affairs (202) 622-2960 by no later than 12:00 p.m. Thursday, May 20.

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RR-3153

PUBLIC DEBT NEWS
)epartment of the Treasury • Bureau of the Public Debt • Washington, DC 20239

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

IMMEDIATE RELEASE
17, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	May 20, 1999
Maturity Date:	August 19, 1999
CUSIP Number:	912795CA7

High Rate: 4.570% Investment Rate 1/: 4.700% Price: 98.845

All noncompetitive and successful competitive bidders were awarded
ırities at the high rate. Tenders at the high discount rate were
›tted 13%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 21,842,886	$ 6,098,386
Noncompetitive	1,347,662	1,347,662
PUBLIC SUBTOTAL	23,190,548	7,446,048 2/
Foreign Official Refunded	54,292	54,292
SUBTOTAL	23,244,840	7,500,340
Federal Reserve	4,076,564	4,076,564
Foreign Official Add-On	15,708	15,708
TOTAL	$ 27,337,112	$ 11,592,612

Median rate 4.550%: 50% of the amount of accepted competitive tenders
tendered at or below that rate. Low rate 4.450%: 5% of the amount
ccepted competitive tenders was tendered at or below that rate.

:o-Cover Ratio = 23,190,548 / 7,446,048 = 3.11

quivalent coupon-issue yield.
vards to TREASURY DIRECT = $1,026,764,000

PUBLIC DEBT NEWS

'epartment of the Treasury • Bureau of the Public Debt • Washington, DC 20239

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

IMMEDIATE RELEASE
17, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	May 20, 1999
Maturity Date:	November 18, 1999
CUSIP Number:	912795CV1

High Rate: 4.630% Investment Rate 1/: 4.821% Price: 97.659

All noncompetitive and successful competitive bidders were awarded
.rities at the high rate. Tenders at the high discount rate were
·tted 39%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,255,094	$ 4,640,844
Noncompetitive	1,086,526	1,086,526
PUBLIC SUBTOTAL	21,341,620	5,727,370 2/
Foreign Official Refunded	1,773,708	1,773,708
SUBTOTAL	23,115,328	7,501,078
Federal Reserve	3,890,000	3,890,000
Foreign Official Add-On	511,292	511,292
TOTAL	$ 27,516,620	$ 11,902,370

ledian rate 4.595%: 50% of the amount of accepted competitive tenders
:endered at or below that rate. Low rate 4.500%: 5% of the amount
:cepted competitive tenders was tendered at or below that rate.

o-Cover Ratio = 21,341,620 / 5,727,370 = 3.73

uivalent coupon-issue yield.
ards to TREASURY DIRECT = $810,921,000

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 3:00 PM EDT
Text as Prepared for Delivery
May 18, 1999

TREASURY UNDER SECRETARY FOR DOMESTIC FINANCE
GARY GENSLER
TESTIMONY BEFORE THE HOUSE SUBCOMMITTEE ON
RISK MANAGEMENT, RESEARCH, AND SPECIALTY CROPS

Chairman Ewing, Ranking Member Condit, and Members of the Committee, it is an honor to appear before you today to discuss issues involving the reauthorization of the Commodity Futures Trading Commission ("CFTC") and the regulation of derivatives. These topics are of considerable importance to both the agricultural and financial communities.

The U.S. derivatives markets perform a critical role in our economy. The innovations and advances in this market also have helped ensure the global leadership of our financial markets and institutions. The dramatic development of this market, however, has occurred on the basis of complex and fragile legal and legislative underpinnings.

At the request of members of Congress, the President's Working Group on Financial Markets is preparing a study of the over-the-counter ("OTC") derivatives market. It is examining what changes, regulatory or legislative, may be appropriate to reduce systemic risk, to eliminate legal uncertainty, to curtail regulatory arbitrage, and to address the potential use of derivatives for fraud or manipulation. The Working Group agencies have started drafting the derivatives report and we hope to complete it later this year.

In order to meet current and future demands of the U.S. and global financial markets, Treasury believes that the Commodity Exchange Act ("CEA") needs to be modernized. We look forward to working with Congress in order to resolve important legal certainty issues related to the CEA.

RR - 3156

OTC derivatives directly and indirectly support higher investment and growth in living standards in the United States and around the world. Derivatives facilitate domestic and international commerce and support a more efficient allocation of capital across the economy. They can help improve the functioning of financial markets by potentially raising liquidity and narrowing the bid-asked spreads in the underlying cash markets. Derivatives can also present challenges, however, in the area of risk management. In addition, market participants can assume extensive leverage through derivatives, as we saw in the case of Long-Term Capital Management.

The OTC derivatives market is a vast, global industry. According to the BIS, the market had reached a notional value of around $70 trillion in June, 1998. The dramatic growth of the market in recent years is testament not merely to the dynamism of modern financial markets, but to the numerous benefits that derivatives provide for American businesses.

Derivatives can help companies of all sizes, and in all industries, to hedge and manage risk that already exists, by transferring that risk to others who are more willing and able to bear such risk. For example, wheat farmers can effectively protect against price fluctuations of their crop during the growing season by entering into futures or forward contracts.

Second, derivatives markets provide pricing information relevant to the underlying markets. This helps the underlying markets to become more efficient.

Third, derivatives markets can help to increase the liquidity of the underlying markets. Government securities dealers use futures contracts on Treasury securities to manage their risks, and these futures markets enhance the liquidity of the government securities market and lower the spread between bid and offer prices.

Fourth, derivatives contracts can also be used to lower financing costs. For example, a firm may want to lock in an interest rate for a long period of time. Rather than issuing fixed-rate long-term debt directly into the market, the firm may find that it is cheaper to borrow using variable rate debt and a swap to effectively fix the interest cost.

On the other hand, derivatives can also present certain challenges and issues, which the Working Group will study.

First, the complexity of some derivative instruments leads to issues of appropriateness and risk management for customers and counterparties. There have clearly been some lapses in recent years. How serious a problem this is and whether and how the government should be involved are questions being studied by the President's Working Group on Financial Markets.

Second, the fast-evolving derivatives markets have created new challenges for risk management. All financial market participants need effective systems to monitor and manage market risk, credit risk, and counterparty relations for derivative products. In addition, firms face liquidity risk, operating risk, and the risk that legal uncertainty could impel a counterparty to repudiate a contract. As evidenced in last year's global financial crisis, enhanced credit risk management is of particular importance for financial institutions entering into derivatives transactions with other financial institutions.

Third, derivatives can allow market participants to assume substantial leverage. The amount of cash or collateral that needs to be put up on entering into a derivatives contract is often relatively small in comparison to the amount of risk being assumed.

Fourth and finally, questions have also been raised about the potential for systemic risk associated with derivatives. The Working Group is studying whether the features of derivatives trading pose special risks to the financial system.

CFTC Reauthorization Issues

Treasury believes that Congress should modernize the CEA, in order to clarify the status
of legitimate products and markets. Troublesome questions have been raised about the legality of certain portions of the OTC derivatives market. Derivatives contracts are based on a certain understanding of the law; however, if this interpretation is wrong, then these contracts become unenforceable. The current legal uncertainty may also impede certain initiatives, such as the development of clearinghouses, which can reduce systemic risk. The Working Group is examining the overall regulatory structure, including what sort of regulation for OTC derivatives markets may be appropriate, and by whom.

The statute that is now the Commodity Exchange Act was originally enacted in the 1920s to establish a basis for the federal regulation of the agricultural futures markets. At that time, regulators' primary concern was the potential for manipulation of agricultural commodities that are in finite supply, such as wheat and corn. For the most part, the CEA has served these markets well.

The current confusion and uncertainty concerning the scope of the CEA has roots in the 1974 legislation that created the CFTC. That legislation significantly broadened the CEA by amending the definition of "commodity," so that the term is essentially open-ended. However, the legislation left the term "futures contract" undefined. As a consequence, to take an example, interest rates are now a "commodity" for purposes of the CEA, but it is unclear what types of off-exchange transactions tied to interest rates are futures contracts. Because it is possible to interpret the CEA, after the substantial amendments made in 1974, in a very broad manner, jurisdictional and interpretive disputes have occurred among interested parties, which include both federal regulators and private industry groups. These disputes have been accentuated by provisions of the CEA that give the CFTC "exclusive jurisdiction" over transactions governed by the statute.

Moreover, significant changes have occurred in derivatives markets over the past 25 years, creating new legal and jurisdictional issues that were not foreseen in 1974. Financial derivatives now far surpass agricultural contracts in notional value. Bilaterally negotiated contracts on the OTC markets now dwarf trading on the exchanges. Additionally, electronic trading systems have been introduced, and clearing and netting systems have been improved.

There have been good-faith efforts to resolve some of these disputes, such as the Shad-Johnson Accord, which was enacted into law in 1982, and the CFTC's exemptive statement, published in 1993 in accordance with the Futures Trading Practices Act of 1992.

Several key issues related to legal certainty are still unresolved, however. The Working Group will address these issues in its study of the OTC derivatives market.

First, the modification of the Treasury Amendment by Congress is needed, in order to clarify that certain markets are excluded from the CEA. Enacted at the request of the Treasury Department in 1974, the Treasury Amendment currently excludes from the coverage of the CEA all transactions in foreign currency, government securities, and certain other instruments, unless the transactions involve a sale for future delivery conducted on a "board of trade." This exclusion prevents duplicative regulation of markets that are vital to international trade and the financing of government operations, thereby strengthening the U.S. economy and lowering the cost of government borrowing. Unfortunately, the Treasury Amendment has been the subject of a spate of litigation in recent years, and the courts have succeeded in resolving only some of the issues presented.

In order to clarify the status of legitimate markets under the Treasury Amendment, we believe that Congress should clarify that the term "board of trade," as used in the Treasury Amendment, means an organized exchange. In addition, Treasury has in the past suggested that Congress should provide the CFTC with anti-fraud authority over foreign currency "bucket shops" that prey on unsophisticated retail investors.

Second, the CFTC's Swap Exemption, which provides the legal basis for much of the OTC derivatives market, has been only partially successful in alleviating legal uncertainty. The Swap Exemption reflects the implicit consensus that has existed for the past ten years: swap transactions should not be regulated under the CEA, whether or not a plausible legal argument could be made that any of these transactions are potentially covered by the CEA. It is our view, and that of both the Federal Reserve and the SEC, that swaps are not futures under the CEA, and that the rigidity of the CEA is not well suited to regulation of the institutional swaps market. In light of these considerations, Congress should amend the CEA to clarify the legal status of swap agreements.

A conclusion that the CEA is not suited to regulation of swap transactions does not necessarily imply a conclusion that such transactions should be unregulated, however. The Working Group is wrestling with many of the questions raised by the CFTC in its Concept Release, to determine what sort of regulation for these markets may be appropriate. The Working Group is also examining the issues surrounding the development of electronic trading systems and clearinghouses for swaps. These innovations have the potential to enhance market liquidity and reduce systemic risk, but some would argue that they blur the lines between swaps and futures markets.

Third, the Working Group is considering a special set of legal certainty questions faced by swaps that involve securities governed by the federal securities laws. The CFTC lacks the legal authority to exempt most futures based on securities from the CEA. Therefore, the market for swaps based on non-exempt securities is based on a conclusion that these instruments are not futures contracts. Statements in the CFTC's Concept Release cast doubt on this conclusion. Treasury believes that a more permanent legislative clarification of the status of these instruments is necessary.

The derivatives market has grown and evolved without resolving these CEA jurisdictional issues, but this arrangement is fragile. Markets operate best in an environment of legal certainty. Market participants must be able to ascertain readily the regulatory requirements that apply to them and have confidence in the enforceability of their own obligations and those of their counterparties.

The Working Group's Derivatives Study

The President's Working Group on Financial Markets is also addressing, as part of its report on derivatives, a number of other topics related to derivatives markets. Many of these topics were raised by the CFTC in its Concept Release.

- Market manipulation. The Working Group is studying whether regulation is appropriate to deter any potential manipulation that may exist in the OTC derivatives market.

- Fraud and customer protection. The Working Group will examine whether there is a need for specialized anti-fraud or customer protection rules in certain markets, or for certain market participants.

- Regulatory parity. Some valid questions have been raised concerning parity among market participants. For example, is it appropriate to make the current regulatory distinctions between on- and off-exchange trading, or between cash and derivatives markets?

- Systemic risk. The Working Group is examining how the derivatives markets may affect financial stability, and whether supervisory or regulatory policies can reduce the potential for systemic risk.

- International Harmonization. The Working Group is examining how best to achieve international harmonization of regulation of OTC derivatives.

We caution, however, that the Working Group may not be able to reach a consensus on all of the very complex jurisdictional and regulatory issues that will be addressed by the study. Whether or not the agencies are able to reach a consensus on a set of recommendations, we will endeavor to provide a comprehensive assessment of the issues to aid Congress in its efforts to design a workable structure for the oversight of the financial markets going forward.

We appreciate the concerns that have been raised about the need for a level playing field among derivatives markets participants. The Working Group will need to consider important issues regarding the regulation of exchange-traded derivatives and OTC derivatives. There are important differences, however, between exchange-traded derivatives and OTC derivatives that may justify different regulatory approaches. For example, we believe that special aspects of the institutional markets for instruments covered by the Treasury Amendment should continue to be excluded from the CEA.

We look forward to working with this Committee, and with other members of Congress and interested parties as we work to resolve these issues in a way that safeguards America's position in this fast-developing global market.

I would be happy to respond to any questions the Committee may have. Thank you.

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Weekly Release of U.S. Reserve Assets

May 18, 1999

The Treasury Department today released U.S. reserve assets data for the week ending May 14, 1999.

As indicated in this table, U.S. reserve assets totaled $72,330 million as of May 14, 1999, down from $72,940 million as of May 7, 1999.

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

1999 *Week Ending*	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/	Foreign Currencies 3/ ESF	Foreign Currencies 3/ SOMA	Reserve Position in IMF 2/
May 7, 1999	**72,940**	11,049	9,883	15,042	15,037	21,929
May 14, 1999	**72,330**	11,049	*9,820*	14,839	14,835	*21,789*

/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of March 31, 1999. The February 28, 1999 alue was $11,047 million.

/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official DR/dollar exchange rate. Consistent with current reporting practices, IMF data for May 7, 1999 are final. Data for SDR holdings ıd the reserve position in the IMF shown as of May 14, 1999 (in italics) reflect preliminary adjustments by the Treasury to the May 1999 IMF data.

/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market ccount (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be reed upon by the parties to the transactions.

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DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 2:30 p.m. EDT
Remarks as Prepared for Delivery
May 19, 1999

TREASURY SECRETARY ROBERT E. RUBIN TESTIMONY BEFORE THE SENATE APPROPRIATIONS FOREIGN OPERATIONS SUBCOMMITTEE

Mr. Chairman, Senator Leahy, I appreciate the opportunity to testify today about the Administration's FY 2000 budget request for Treasury's international programs. Last year, the leadership of this Committee was critical in approving the increase in our quota to the International Monetary Fund and our participation in the NAB, and that, in turn, was critical to dealing with the financial instability abroad, an effort that was so important to our own economy. This year, continued support of Treasury's international programs, which are central to the ongoing response to the financial crisis and to the overall effort to foster a healthy global economy, will promote the economic well-being of American workers, farmers and businesses.

Our FY2000 request for these programs totals $1.523 billion, an increase of less than one percent from FY1999. Our investment in these programs supports the international financial institutions -- the World Bank, the International Monetary Fund and the regional development banks -- in helping to restore financial stability where needed, in promoting long term sustainable growth in developing countries, and in working with developing countries committed to economic reform to reduce unsustainable levels of debt.

With respect to the financial crisis, the International Monetary Fund, in close collaboration with the World Bank and the regional development banks, has developed new programs to bolster needed structural and policy reforms in the countries experiencing crisis, while at the same time helping protect the most vulnerable.

I believe that, on balance, the IFIs have made sensible judgments in confronting the enormously complex and, in many ways, unprecedented issues posed by the financial crisis, and have adjusted their judgments when appropriate. At the same time, we can gain from a serious study of these activities, especially with respect to the reform of the international financial architecture.

In those countries that have taken ownership of reform, for example, Korea and Thailand, there has been considerable progress toward a return to stability. Korea, which had less than $4

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billion in usable reserves when the crisis came to a head in December of 1997, now has more than $55 billion. Short-term interest rates, which were as high as 35 percent at the end of 1997, now are at 5 percent.

But despite this progress, much remains to be done. The problems that gave rise to the crisis took a long time to develop, and they will take time to work through.

Here at home, while the most likely scenario remains solid growth and low inflation -- subject to the usual ups and downs -- certain sectors have been impacted by the crisis, some because of increased imports, and others because of decreased exports. Moreover, problems in the global economy do constitute a risk to our overall economic well being. That is why we have been enormously focused on the effort to restore stability and growth to troubled parts of the world, and the IFIs are at the center of this effort.

In addition to their role in responding to the global financial situation, the IFIs have played an important role in other crises over the last year. For example, the World Bank and the InterAmerican Development Bank have provided $212 million to nations in Central America following Hurricane Mitch, and $600 million to nations affected by El Nino. And the IFIs are helping the nations of the Balkans deal with the immediate and longer-term consequences of the recent crisis there.

Now, let me make several observations with respect to why the IFIs are at the center of our efforts to promote growth in the developing and transitional countries, growth enormously in our interest as these countries in recent yeas have purchased over 40 percent of our exports, as well as being at the center of our work to deal with the financial crisis.

First, they internationalize the burden. In 1998, $1.4 billion in U.S. appropriations gave us great influence with respect to $57.1 billion in total MDB lending.

Second, our FY 2000 request for the IFIs is about 5.5 percent below last year's appropriation, with both years having included funds to pay arrears. On-going U.S. financial commitments to MDBs have been negotiated down by $700 million dollars per annum, or more than one-third since the mid-1990s, without a reduction in our influence. The United States has been a leader in shaping policies in the MDBs and most of our key developmental objectives are now broadly shared by other members.

Third, because they are multilateral, these institutions have the ability to induce recipient countries to accept conditions that no assisting nation could obtain on its own.

Fourth, each institution has expertise special to itself to shape effective reform programs..

The United States, in concert with the international community, has worked forcefully with these institutions to reform their operations, reduce overhead, become more open, do more to prevent corruption, promote the private sector, and become more sensitive to environmental concerns, core labor standards and human rights. Under the leadership of Jim Wolfensohn, the

World Bank has taken significant steps to improve operations. The United States and the international community are also looking very closely at the role of these institutions in the future international architecture.

Mr. Chairman, let me now comment briefly on long term growth promotion in the developing world.

The IFIs have been instrumental in helping countries throughout the developing world embrace market-based economic systems and become more fully integrated into the global economy. As a result, even taking into account the adverse impacts of the recent crisis, the last few decades have witnessed substantial improvements in living standards in most of the developing world. Infant mortality rates fell by nearly 50 percent from the early 1970s to the mid-1990s and life expectancy has risen by four months on average each year since 1970. Adult literacy has risen from 46 to 70 percent. As they have grown, these nations have turned into new markets for U.S. goods and services. In 1997, before the recent crisis, the developing world absorbed somewhat over 40 percent of U.S. exports.

As an example of the IFI role, IDA is the world's largest lender of concessional resources for projects in areas such as health, primary education, nutrition, safe drinking water, and proper sanitation. For every dollar the U.S. contributes, IDA lends about 8.5 dollars for programs that promote higher standards of living and foster stability.

Mr. Chairman, the IFIs have also greatly increased their involvement in combating corruption, which in addition to being a social and political issue, is also a critical economic issue, and an impediment to growth in many developing countries. IMF Managing Director Camdessus has been outspoken in his condemnation of corruption, and the IMF is increasingly giving explicit consideration to weakness in governance and to corruption in all its country programs. And under President Wolfensohn's leadership, the World Bank has become highly engaged in the fight against corruption. The Bank has developed new methodologies and techniques for analysis of the nature and extent of corruption in specific countries. Eleven countries have adopted this approach to help understand their corruption problems and to formulate targeted anti-corruption programs.

Mr. Chairman, even with the efforts of the IFIs, the vast economic and human potential of the developing world has barely been tapped. Just last summer, for example, I visited Africa, a continent with enormous potential and enormous challenges and still largely left behind in the global economy. Clearly, in Africa, and elsewhere, the need for -- and the importance of -- the IFIs helping to bring developing nations into the economic mainstream has not abated.

However, Mr. Chairman, bringing these countries into the economic mainstream often requires us to review the debt burden that they have accumulated over the years. The President has proposed a major debt reduction initiative to help promote the integration of the poorest countries into the world economy. It includes components providing for deeper or accelerated debt reduction and inclusion of additional countries into existing debt reduction programs, both multilateral and bilateral. Our policy tries to strike an economically sensible balance between competing considerations with respect to debt reduction. On the one hand, many developing countries are simply overwhelmed by unsustainable debt burdens. On the other hand, if the private sector does not believe that a country has a culture of credit in which there is a commitment to repaying debt, private sector capital probably won't flow to that country, and private sector capital is an absolute requisite for economic growth over time. In addition, if borrowers feel they are not going to have to pay back debt, it may result in unsound borrowing, which will then lead to future problems. Two additional points: Firstly, debt reduction is unlikely to have lasting benefit if not accompanied by meaningful economic reform, so that the resources freed up by debt reduction are used for good purpose. Secondly, our approach is designed to support substantial reductions in debt service payments and total debt burdens to levels consistent with what these countries can reasonably be expected to afford.

In line with this analysis, our budget request includes $120 million for debt programs, broken out as follows: $20 million for the traditional Paris Club mechanism, including reduction of U.S. debt under the initiative for the Heavily Indebted Poor Countries (HIPC) which was launched by the World Bank and the IMF in September 1996 to reduce debts to sustainable levels for those poor countries prepared to pursue economic and social policy reforms; $50 million for a contribution to the HIPC Trust Fund, which will be used to support reduction of debt owed to multilateral institutions; and $50 million to finance Debt Relief for tropical rainforest countries, as called for under the Tropical Forest Conservation Act of 1998.

In addition, we are requesting authorization to support IMF gold sales in order to provide additional support for HIPC countries. This proposal has received considerable attention. However, we believe it is reasonable for the IMF to use income derived from investments resulting from the sale of a small portion of gold reserves. The principal amount of the profits from such a sale would remain part of the IMF's resources.

Before concluding, let me note that, with the leadership of this Committee, we have made great progress in clearing our arrears to the Multilateral Development Banks. If the FY2000 request is fully funded, our arrears will be reduced to $141.9 million. Delays in paying U.S. commitments on internationally negotiated agreements come at a high price in terms of our influence and effectiveness with the institutions and their members. We want to continue working closely with this Committee and the Congress to fully meet U.S. financial commitments.

Mr. Chairman, Senator Leahy, let me conclude by reiterating that our strong support for the international financial institutions -- as well as the United Nations -- strongly promotes America's economic well being and national security interests. This Committee is central to providing that support, and we look forward to continuing our good working relationship as we deal with this budget request.

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DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
May 19, 1999

Contact: John Longbrake
(202) 622-2960

TREASURY SECRETARY ROBERT E. RUBIN STATEMENT ON THE DEPARTURE OF EDWARD S. KNIGHT

Ed has served with distinction as the top legal official at the Treasury Department. In the beginning of my tenure as Treasury Secretary, Ed played a crucial role in the negotiations that resulted in the successful Mexican financial assistance program. In 1996, his legal advice helped this country avoid defaulting on its obligations during the debate with Congress about extending the debt limit. He also represented Treasury ably on the National Commission on Restructuring the IRS and was critically involved in designing the support package for Brazil last year.

Treasury is faced on a daily basis with many legal challenges that are critical to the success of the department, and Ed and his legal team met those challenges with great success. I appreciate his service to the department and wish him the best of luck in his future endeavors.

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RR-3159

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National Association of Securities Dealers, Inc.
1735 K Street, NW
Washington, DC 20006-1500

Press Release

For Release: Wednesday, May 19, 1999

Media Contact: Andrew MacMillan
(202) 728-8340
Scott Peterson
(202) 728-8955

Edward S. Knight to Join NASD

Treasury's General Counsel to be NASD's Chief Legal Officer

Washington, D.C.—The National Association of Securities Dealers, Inc. (NASD®) today announced that Edward S. Knight, 48, currently General Counsel of the United States Department of the Treasury, has been named as Executive Vice President and Chief Legal Officer (CLO) of the NASD family of companies, effective July 5, 1999.

Knight's responsibilities will include providing legal counsel to senior management and overseeing the quality of legal services across the organization. He will be a member of the NASD's Office of the Chairman. As CLO, Mr. Knight will work closely with the general counsels of the NASD, The Nasdaq Stock Market® and NASD Regulation®.

"We are extremely pleased that Ed is bringing his vast national and international legal experience to the NASD family of companies," said Frank G. Zarb, Chairman and CEO of the NASD. "The impressive breadth of his experience and expertise across so many different agencies of the federal government and internationally will mean that our members, issuers, and the investing public will be well protected and advised by his counsel."

Knight has served as General Counsel of the Treasury Department since September 1994. In that capacity, he has provided legal and policy advice to the Secretary of the Treasury and other top Department officials. He has overseen 2,200 attorneys providing legal service to all of the Department's offices and bureaus, including the Internal Revenue Service, Customs, Secret Service, Public Debt, Alcohol, Tobacco and Firearms, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Financial Management Service, the U.S. Mint, and the Bureau of Engraving and Printing.

(more)

In the fall of 1998, Mr. Knight was critically involved in the provision of bilateral financial assistance from the United States to the government of Brazil through the Bank for International Settlements. In July 1998, Knight led the legal team that successfully privatized the U.S. Enrichment Corporation—the largest privatization in U.S. history. In May 1996, he was appointed by President Clinton to the National Commission on Restructuring the Internal Revenue Service. He has testified before Congress on numerous occasions.

Prior to joining the Treasury Department, Knight was a partner with the law firm of Akin, Gump, Strauss, Hauer and Feld in its Washington, D.C., office.

Born in Amarillo, Texas, on January 20, 1951, Knight received his B.A. in Latin American Studies, with honors, from the University of Texas at Austin and his J.D. from the University of Texas School of Law in 1976.

The NASD is the largest securities-industry, self-regulatory organization in the United States and parent organization of NASD Regulation, Inc., and The Nasdaq-Amex Market Group^{SM}. Through its regulatory subsidiary, the NASD develops rules and regulations, provides a dispute resolution forum, and conducts regulatory reviews of member activities for the protection and benefit of investors. Through the Nasdaq-Amex Market Group, the NASD operates The Nasdaq Stock Market and the American Stock Exchange (Amex®). The NASD also oversees the nation's 5,600 brokerage firms and more than half a million registered brokers. Consumers can contact the NASD to obtain the disciplinary and work histories, as well as other selected background information, of member firms and individual brokers or to get information on how to lodge a complaint.

For more information about the NASD and its subsidiaries, please visit the following Web sites: http://www.nasd.com; http://www.nasdaq-amex.com; http://www.nasdr.com; or the Nasdaq-AmexNewsroom^{SM} at http://www.nasdaq-amexnews.com.

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EMBARGOED UNTIL 2:30 P.M.
May 19, 1999

CONTACT: Office of Financing
202/691-3550

TREASURY TO AUCTION $15,000 MILLION OF 2-YEAR NOTES

The Treasury will auction $15,000 million of 2-year notes to refund $27,858 million of publicly held securities maturing May 31, 1999, and to pay down about $12,858 million.

In addition to the public holdings, Federal Reserve Banks hold $3,056 million of the maturing securities for their own accounts, which may be refunded by issuing an additional amount of the new security.

The maturing securities held by the public include $3,053 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $670 million into the 2-year note.

The auction will be conducted in the single-price auction format. All competitive and noncompetitive awards will be at the highest yield of accepted competitive tenders.

The notes being offered today are eligible for the STRIPS program.

Tenders will be received at Federal Reserve Banks and Branches and at :he Bureau of the Public Debt, Washington, D. C. This offering of Treasury ;ecurities is governed by the terms and conditions set forth in the Uniform)ffering Circular for the Sale and Issue of Marketable Book-Entry Treasury ;ills, Notes, and Bonds (31 CFR Part 356, as amended).

Details about the new security are given in the attached offering ighlights.

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?-3160

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF
2-YEAR NOTES TO BE ISSUED JUNE 1, 1999

May 19, 1999

Offering Amount............................$15,000 million

Description of Offering:
Term and type of security.................2-year notes
Series....................................Y-2001
CUSIP number..............................912827 5H 1
Auction date..............................May 26, 1999
Issue date................................June 1, 1999
Dated date................................May 31, 1999
Maturity date.............................May 31, 2001
Interest rate.............................Determined based on the highest accepted competitive bid
Yield.....................................Determined at auction
Interest payment dates....................November 30 and May 31
Minimum bid amount and multiples..........$1,000
Accrued interest payable by investor......Determined at auction
Premium or discount.......................Determined at auction

STRIPS Information:
Minimum amount required...................Determined at auction
Corpus CUSIP number ....912820 DW 4
Due date(s) and CUSIP number(s)
for additional TINT(s)....................Not applicable

Submission of Bids:
Noncompetitive bids: Accepted in full up to $5,000,000 at the highest accepted yield.
Competitive bids:
(1) Must be expressed as a yield with three decimals, e.g., 7.123%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield...... 35% of public offering
Maximum Award................................. 35% of public offering

Receipt of Tenders:
Noncompetitive tenders: Prior to 12:00 noon Eastern Daylight Saving time on auction day.
Competitive tenders: Prior to 1:00 p.m. Eastern Daylight Saving time on auction day.

Payment Terms: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

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EMBARGOED UNTIL 10 A.M. EDT
Text as Prepared for Delivery
May 20, 1999

TREASURY SECRETARY ROBERT E. RUBIN
HOUSE COMMITTEE ON BANKING AND FINANCIAL INSTITUTIONS

Chairman Leach, Ranking Member LaFalce and Members of the Committee, thank you for providing this opportunity for me to present the Administration's approach to reforming the global financial architecture. This is one of the most important issues that we face in the international arena, as the events of the past two years have demonstrated. It is also one in which Americans -- workers, businesses and farmers -- have an enormous stake. Just as the origins of the crisis were complex, so are the challenges we face in trying to reform the system.

Overall, the aim of President Clinton's approach is to build an international financial system that best promotes global growth, that contributes to a broad-based sharing in the benefits of that growth, and that is less prone to crisis and better equipped to deal with crises when they occur. We want to help all countries equip themselves to be able to participate effectively in the global financial system. This means working with developing countries to identify policies that can best realize the benefits of global integration while limiting the potential risks, and creating stronger incentives for them to put these policies in place. It also means acting to induce creditors and lenders in industrial countries to assess risk more appropriately, so as to help avoid excesses in capital flows and leverage. Finally, it means equipping the international community to deal more effectively with those crises that occur.

The international community, with the leadership of the United States, has made important progress so far. There is now a broad-based consensus on the appropriate framework for reform, although within that framework there are a number of important issues still to be resolved. While we have made meaningful progress, much work lies ahead. The international community's efforts involve a collection of actions that I believe, over time, will constitute a powerful program of reform.
RR-3161

Today I would like to focus on some of the most important elements of our work, in six broad categories:

- involvement of the private sector in crisis prevention and management, including reform of national bankruptcy regimes;
- strengthening and reforming the international financial institutions;
- improving transparency and disclosure, including use of standards and best practices;
- strengthening macroeconomic policies and financial systems in emerging markets, including sustainable exchange-rate regimes;
- strengthening financial regulation in industrial countries; and
- promoting policies that minimize the human cost of crises.

Involvement of the Private Sector in Crisis Prevention and Management, Including Bankruptcy Reform

The role of the private sector in resolving crises is one of the most complex issues we face today, involving powerful competing considerations. We must not undermine the obligation of countries to pay their debts in full and on time. To do so could cause a reduction in critical flows of private-sector trade credits and investment, and increase the potential for contagion. At the same time, market discipline only works if creditors and investors bear the consequences of the risks they take. The high yields on many emerging market debts indicate private creditors' expectations that some of these debts will not be paid in full or on time.

We must strike the right balance between these considerations on a practical case-by-case basis. When a government's capacity to pay its debts in full and on time may depend on the provision of official resources, the international community will need always to consider carefully whether there is a role for the private sector. In some cases it may be appropriate to seek maintenance of exposure levels or a restructuring or refinancing of debt held by private creditors. This approach was quite effective in the case of Korea's external bank debt, for example, by providing the breathing room Korea needed to stabilize its finances and implement the structural reforms necessary to put its economy back on track. In other -- truly exceptional -- cases, negotiations may break down and it may not be possible to avoid a temporary non-negotiated interruption in some debt payments owed to private creditors.

Additionally, there is no reason why one category of unsecured private creditors should be regarded as inherently privileged relative to others in a similar position. When both are material, claims of bondholders should not be viewed as necessarily senior to claims of banks.

In addition, there is a growing consensus in support of a number of *ex ante* measures that can help both to reduce the impact of financial shocks and to promote more orderly crisis resolution. Contingent lines of credit arranged with the private sector -- as established by Argentina, for example -- may be able to make a contribution in this regard. We also encourage the broader use of provisions in bond contracts that can facilitate creditor coordination. Through the IFIs and more generally, we also strongly support steps to strengthen national bankruptcy regimes that can help prevent private debt problems from escalating into broader sovereign crises.

Strengthening and Reforming the IFIs

The international financial institutions, especially the IMF, will continue to play a central role in preserving the stability of the global financial system, and in responding effectively to financial crises when they occur. To accomplish this reliably, their capacities need strengthening and their policies need reform. We have made significant progress in both areas, and are committed to a continuing process of reevaluation and reform.

The increase in IMF quotas and the New Arrangements to Borrow, made possible by legislation passed by Congress last October, provided the international community with much-needed financial resources at a critically important time. We very much appreciated the leadership and support of this Committee in that effort, Mr. Chairman. Since then, the IMF has established a Contingent Credit Line, which enhances its capacity to utilize its resources in a manner that will help to prevent financial crises. This new capability not only will help protect countries with good policies against a sudden loss of market confidence, but it is also designed as an incentive for countries to make sound policy choices to reduce their vulnerability to crisis. These policies include the adoption of sound debt management practices, efforts to develop strong bankruptcy and supervisory regimes, and the maintenance of sound macroeconomic policies and sustainable exchange-rate regimes.

The IMF has also implemented important new reforms to improve the openness of its own policies and operations. There is now a formal presumption that borrowing countries will release to the public the Letters of Intent that set forth their program commitments. The Executive Board has also instituted a pilot program for the release of Article IV staff reports and adopted a systematic approach to releasing information about major policy changes. While greater efforts are still needed to make the IMF an even more open institution, these steps, which occurred as a result of strong advocacy by the United States, represent significant progress.

The terms and conditions of IMF programs also increasingly reflect the experience of recent crises and the reform efforts -- led by the United States -- to address a broader spectrum of policy concerns in programs. Under the IMF's Supplemental Reserve Facility, substantial interest rate premiums have been a feature of all recent major IMF lending programs. And program content increasingly reflects our policy objectives: increased trade liberalization, the elimination of subsidies and directed lending, reductions in military and other unproductive spending, the promotion of core labor rights and protection of the environment. While more needs to be done, the improvement so far is real and encouraging and we are continuing our efforts.

The Multilateral Development Banks (MDBs) have also demonstrated an increased capacity for crisis response. The World Bank and the Inter-American Development Bank have introduced a new lending instrument to finance structural reform in countries with exceptional financing needs, enabling these institutions to provide emergency assistance more quickly and in greater amounts when a crisis occurs. Work is also underway in the World Bank and other MDBs to catalyze greater long-term capital flows to emerging markets through use of guarantee mechanisms.

Transparency and Disclosure, Including Use of Standards and Best Practices

Continuing progress in improving the quality and quantity of data about countries and markets is essential for markets to function efficiently and with discipline. In fact, one of the necessary and legitimate roles for governments is to create conditions for the disclosure of information that, left to themselves, markets would not provide. Steps to improve disclosure and transparency can also serve as powerful inducements for countries to adopt sound policies that serve the interests of both the markets and the countries themselves. For example, the IMF has continued to enhance its Special Data Dissemination Standard by establishing a new comprehensive format for disclosure of full information on country reserves, and work is underway on further improvements.

Important progress has been made in the international community in establishing sets of standards and best practices that can help guide countries' policies and serve as a benchmark for country performance. We support pulling together these standards into a comprehensive matrix that includes the fundamentals of sound economic management and financial sector stability. We also support efforts to monitor and assess country progress in adopting these standards, and for the results to be made publicly available. The IMF and the World Bank have already begun to increase their capacity for such monitoring and assessment, and we encourage their continued efforts and collaboration.

Strengthening Policies and Financial Systems in Emerging Markets

One of the striking elements of the recent crisis was the extent to which countries reached for short-term capital and thereby greatly increased their vulnerability to financial shocks. In order to reduce this risk, we support the development of international guidelines for sound debt management to discourage disproportionate reliance on short-term capital flows in favor of more stable long-term debt profiles and the development of domestic debt markets.

Similarly, the short-term foreign currency exposures of the banking system can be a dangerous source of instability in countries with underdeveloped financial systems and regulatory regimes. In such cases, countries should adopt limits on such exposures. Overall, the benefits to a developing nation of short-term borrowing -- lower cost of credit and not having to make the difficult changes necessary to borrow at longer terms -- are often more than offset by the benefits of a longer-term debt profile that better insulates the country against the risks of market instability.

Finally, a country's choice of an exchange-rate regime is of central importance, although we must always recognize that the key to currency stability is the soundness of underlying macroeconomic and financial policies. At the core of each recent crisis has been a rigid exchange rate regime that ultimately proved unsustainable. We believe that the international community should not provide exceptional, large-scale official finance to countries intervening heavily to defend an exchange-rate peg, except when the peg is judged sustainable and certain exceptional conditions have been met, such as a potential systemic threat.

Strengthening Prudential Regulation in Industrial Countries

The recent crises revealed important shortcomings in the way investors and creditors in industrial countries evaluated and priced the risk of their emerging-market assets. There are a number of appropriate measures we can take to strengthen prudential oversight of financial market participants, especially in this central area of risk management.

One important step is the updating of the Basle Capital Accord by making it more sensitive to the risks of short-term lending and of lending to emerging markets. In addition, financial market participants need to strengthen their practices of managing credit and market risk -- and supervisors need to increase their oversight in this area -- in order to dampen investors' and lenders' tendency to underestimate risks in good times and exaggerate them in bad times.

This Committee has already examined the recommendations in last month's report by the President's Working Group on Financial Markets, so I will not discuss them in detail here. The report's recommended improvements in disclosure and risk-management practices for highly-leveraged institutions would, if implemented, help to constrain excessive leverage in the system and thus contribute to a reduction in systemic risk.

Finally, the G-7 has already taken a significant step by establishing the Financial Stability Forum. The Forum will provide a high-level mechanism to improve international cooperation in the design and practice of financial and regulatory policies. Already, it has been agreed to establish three working groups that also will include representatives from non-G-7 countries.

Promoting Policies to Minimize the Human Cost of Financial Crises

Generally, an international financial system that faces a lesser threat of crisis, and that is better equipped to handle crises that occur, is one that will contribute substantially to sharing more broadly the benefits of growth and open markets. More specifically, additional steps should be taken to prevent the burden of crises from falling disproportionately on society's most vulnerable members and to help countries establish in advance policies that make their economies more resilient if crisis strikes.

There are several conclusions we can draw from the recent crises as they apply to principles and practices of good social policy. They include the importance of:

- maintaining a fiscal framework designed to protect core social expenditures at pre-crisis levels, or at least to prevent disproportionate reductions;
- designing means-tested programs for the poor and disadvantaged and developing effective and targeted programs for the most vulnerable;
- strengthening anti-corruption measures, especially through fiscal transparency and accountability; and
- adhering to core labor standards.

With our strong support and encouragement, the World Bank has undertaken an effort to distill a set of social sector principles with a view to identifying practices and policies to incorporate into country programs. The MDBs should commit a substantial portion of their lending resources to the social sector, including assistance to help establish functioning social safety nets. In fact, since the onset of the crisis, the World Bank and the Asian Development Bank have agreed to at least double their assistance to the most vulnerable in Asia. In designing its assistance programs, the IMF also should take into account whether funding is adequate for social safety nets and other targeted social programs, even during periods of needed fiscal consolidation.

Conclusion

Mr. Chairman, our approach to reforming the global financial architecture is based on the fundamental belief that market-based systems create the best prospects for job creation, economic growth and rising living standards both in the U.S. and around the world. We also believe that governments play a necessary role in creating the conditions for markets to produce the best results, and that we have a responsibility to act accordingly. We believe that the result of the approach I have outlined will be a more robust global economy that is less susceptible to instability and crisis, and we will continue our efforts to build an international consensus toward that end.

Thank you very much, Mr. Chairman, and I will be pleased to respond to the Committee's questions.

PUBLIC DEBT NEWS

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

MEDIA ADVISORY
May 17, 1999

Contact: Dale Vanderheyden
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U.S. TREASURER TO HONOR STUDENT WINNERS OF SAVINGS BONDS NATIONAL POSTER CONTEST AT TREASURY DEPARTMENT CEREMONY

Mary Ellen Withrow, Treasurer of the United States, will honor three outstanding students who are the national award winners of the 8th Annual U.S. Savings Bonds poster contest on Thursday, May 20th at 1:30 p.m. in the Cash Room of the Treasury Department, 1500 Pennsylvania Ave., NW. , Washington, D.C.

Names of the National Winners will be announced on May 20.

First Place: from Rio Piedras, Puerto Rico

Second Place: from Tulsa, Oklahoma

Third Place: from Encino, California

The contest, for fourth through sixth graders, demonstrates Treasury's continued interest in encouraging America's children to learn more about the importance of savings and to develop an interest in the country's economic affairs. The winning posters were selected from 52 entries from the first place winners in each of the 50 states, the District of Columbia, and Puerto Rico. More than 20,000 elementary school students entered posters with the theme: "U.S. Savings Bonds--Creating a New Century of Savings."

PHOTO EDITORS/TV PRODUCERS: CAMERAS MUST BE IN PLACE BY 1:00 P.M. PHOTO OPPORTUNITIES AVAILABLE WITH WINNERS AND TREASURER WITHROW IMMEDIATELY FOLLOWING CEREMONY.

Press without Treasury or White House credentials must provide full name, news organization, date of birth, and Social Security number to Treasury Public Affairs (202) 622-2960 by no later than 12:00 p.m. Thursday, May 20.

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also being made possible by: the Renaissance Washington D.C. Hotel, Gray Line Tours of Washington, Planet Hollywood, and the Hard Rock Cafe who donated their services.

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PA-412

MEDIA ARE INVITED. CAMERAS MUST BE SET UP BY 1:00 P.M. ON THURSDAY, MAY 20, 1999, IN THE U.S. TREASURY DEPARTMENT'S CASH ROOM, 15TH AND PENNSYLVANIA AVE., N.W., WASHINGTON, D.C. 20220.

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
May 20, 1999

Contact: Lori DeRose
(202) 691-3502

PUERTO RICO, OKLAHOMA & CALIFORNIA STUDENTS WIN 1999 NATIONAL SAVINGS BONDS POSTER CONTEST

Receive Valuable U.S. Savings Bonds Awards

Treasurer of the United States Mary Ellen Withrow will present the three national winners in the 8th Annual Savings Bonds Poster Contest with awards during a ceremony at the U.S. Treasury Department's Cash Room in Washington, D.C., on Thursday, May 20, 1999 at 1:30 p.m. State Winners were selected earlier this year. First place entries from each state, the District of Columbia, and Puerto Rico then were submitted to a panel of judges for selection of the national winners.

The three winning posters are the work of two sixth-graders from Puerto Rico and Oklahoma, and a fourth-grader from California. Their posters, and those of the other 49 first place winners, will be displayed in more than 70 airports around the country this fall. The posters will be exhibited in Washington D.C., during June and July at the Capital Childrens' Museum and then at the Bureau of Engraving and Printing on 14th Street, SW, August through October.

The first place winner, Laura E. Rodríguez, a sixth-grader at Santiago Iglesias Pantín, Río Piedras, Puerto Rico, will receive a $5,000 U.S. Savings Bond and her poster will be used to promote the sale of bonds nationwide in 2000. When asked what she is going to do with her award, Laura said, "I plan to use the U.S. Savings Bonds I won to help pay for college." Along with Laura's winning poster will be the slogan: "U. S. Savings Bonds--Creating a New Century of Savings."

The second and third place winners, Josh Bogart Speer, a sixth-grader at Monte Cassino School, Tulsa, Oklahoma, and Aaron Yamagata, a fourth-grader who attends the Fine Arts and Music Academy, Valley Village, California, will receive $2,000 and $1,000 in savings bonds, respectively.

The poster contest began in 1992 as a fun way for students to learn the value of saving. "The poster contest provides a creative way for children to learn the value of savings with U.S. Savings Bonds, as well as the possibility to win a substantial award to invest in their future", said Van Zeck, Commissioner of the Public Debt. (The Bureau of the Public Debt manages the savings bond program.)

Sponsor of this year's contest is Metropolitan Life Insurance company, who also chaired the 1999 U.S. Savings Bond Volunteer Committee. The trip to Washington, D.C., for this year's winners is

-more-also being made possible by: the Renaissance Washington D.C. Hotel, Gray Line Tours of Washington, Planet Hollywood, and the Hard Rock Cafe who donated their services.

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PA-412

MEDIA ARE INVITED. CAMERAS MUST BE SET UP BY 1:00 P.M. ON THURSDAY, MAY 20, 1999, IN THE U.S. TREASURY DEPARTMENT'S CASH ROOM, 15TH AND PENNSYLVANIA AVE., N.W., WASHINGTON, D.C. 20220.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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For Immediate Release
Text as Prepared for Delivery
May 24, 1999

Small Business Week Luncheon
Secretary Robert Rubin

It is a pleasure to speak with all of you today, and let me welcome you to Washington. Before I begin, let me congratulate all the small business people we honor today. Your entrepreneurship, energy and hard work exemplify what is best about our nation's small businesses, which are so central to our economy.

Today, I would like to discuss the state of our economy for a moment and then discuss the steps we need to take to foster a strong economy for the future.

The United States continues to enjoy what many consider to be the best economic conditions in recent memory -- the longest peacetime economic expansion in our history, a very high rate of job creation, the lowest unemployment rate in decades, and real increases in income across all income strata. The most likely scenario for the U.S. economy remains solid growth and low inflation, subject to the usual ups and downs. The strength of our domestic economy has helped insulate us from the international financial crisis, now showing some signs of abating. There are, however, some sectors that were hard hit by the crisis, either from increased imports and decreased exports, and there is an overall risk to our economy from the imbalance in a global economy where every major area of the global economy, other than the U.S. is having slow or even negative growth.

Many factors have contributed to our economic success -- including the private sector's restoration of competitiveness in a broad array of industries. And in no small degree, small businesses have been critical to our current strong economic conditions. Small businesses account for more than half of the nation's GDP and employ more than 50 percent of the private workforce. But in addition to the role of the private

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sector, the key and indispensable factor in our strong economy has been a sound economic strategy grounded in investing in people for long term productivity, opening markets abroad and dealing with financial instability abroad, and especially re-establishing and maintaining fiscal responsibility, beginning with the Deficit Reduction Act of 1993.

Despite this progress, I believe that, in addition to the private sector maintaining its competitiveness, there are three basic public policy challenges we must meet to continue our present economic success in the years and decades ahead. All of these challenges involve difficult choices, and the hard reality is that successful economic decisions often involve tradeoffs and a recognition that what is good for the great preponderance of workers, farmers and businesses, and the economy as a whole, and in many instances may have a negative or dislocating impact on some. When I look back over the last six and a half years that I have been in government, it seems to me that the choices that have been the right one for our economy and society have almost always been difficult politically, and have generally involved tough tradeoffs. It seems to me that we need to remember that in the years ahead as we will inevitably continue to face difficult decisions. The key is not to back away from the difficult path because of the tradeoffs as some have advocated through impediments to technological advance or closing our trading markets, but rather have programs that help those who are dislocated successfully re-enter the economy as rapidly as is practical.

Now, to go to the three public policy challenges:

The first challenge is to continue to promote fiscal discipline. It is worth stopping for a moment to see how far we have come on fiscal discipline, because we do tend to forget. Between 1980 and 1992, the Federal debt had quadrupled, and in 1992 the deficit was $290 billion and projected to continue growing. Now, as a result of the difficult choices made, beginning in 1993, we have moved from an era of budget deficits, to budget surpluses last year, this year, and projected for a long time to come.

The surpluses, the first since 1968, and that was for just one year, present a truly historic opportunity to strengthen our economy for the future. The President has proposed using these surpluses predominantly to promote national savings through paying down the federal debt, in a program associated with strengthening Social Security and Medicare, and through a tax incentive to promote savings. An alternative view would use far more of the surplus for large tax cuts. In essence, the debate is really over greater emphasis on increasing national savings while strengthening Social Security and Medicare, versus a large tax cut.

Using the surplus for tax cuts or spending may be easier politically, but in our view using the surpluses predominantly to promote fiscal responsibility and national savings is the right path for our future.

Second, we must continue to invest in education and training and similar productivity enhancing areas, including investment in programs to equip the residents of the inner cities and other economically distressed areas for a real opportunity to join the economic mainstream. Providing this opportunity is not simply a social issue or a moral issue, but an economic issue of great personal importance to each of us, no matter what our income may be or where we may reside. Just think of the difference it would make in terms of higher productivity and reduced social costs if the residents of these areas had greatly increased opportunity and success in joining the economic mainstream.

A key aspect of promoting growth in economically distressed areas is to help foster the creation of small businesses in those areas. At Treasury, we have been focused on this issue by working to expand access to capital through programs like our Community Development Financial Institutions Fund and the Community Reinvestment Act. At the same time, through the just developed BusinessLINC initiative, we are working to expand small business access to the networks of information and resources that larger businesses can offer. Launched last year by the Vice President, BusinessLINC, which stands for business learning information, networking and collaboration, encourages large businesses to develop mutually beneficial relationships with smaller businesses, especially in economically distressed areas. Larger firms can reach new markets, and strengthen their supplier base. Smaller firms receive expert advise, improve market access, strategic planning guidance, and management development. In essence, this initiative expands on the idea of business mentoring.

The President has also launched a "New Markets" Initiative to spur up to $15 billion in new equity investment in businesses in low and moderate income communities, including a new tax credit worth 25 percent of the amount invested in local development funds and new SBA centered sources of capital. We look forward to working with the Congress to pass this legislation, which already has bi-partisan support.

The third and final challenge we must meet is to continue to provide leadership in the global economy. A successful strategy here includes three components: promoting growth and reform in the developing world and countries transitioning from communism; dealing with the problems of financial instability and crisis when they occur, and in the long term, strengthening the architecture of the international financial system; and finally, opening markets abroad and keeping our markets at home open. Again, all of these areas are the focus of great debate, and require difficult choices, yet they all are enormously important to our economic well-being. For example, foreign aid, including our contribution to the World Bank, which some view as charity, is in fact, a very good investment in our economic well-being. This helps promote growth and reform in developing countries, which twenty years ago, were largely irrelevant to us economically and now absorb over 40 percent of our exports. Yet the effort to achieve funding for bi-lateral foreign aid and for the World Bank and its sister multi-international development banks, is always very difficult. And, of course, the struggles around opening markets abroad and maintaining open markets here are also always very difficult. I would like to elaborate on that point for a moment.

There is no doubt in my mind that open markets here and abroad have contributed greatly to profitability, job growth, and increased standards of living during the healthy economy of the past 6-1/2 years. Small businesses across the country have benefitted enormously as a result of more open markets abroad and an increasing number of small businesses, including many of you, sell products abroad. And maintaining our open markets at home, through lower prices for both consumers and producers, and increased competitiveness promoting greater productivity, have contributed to lower inflation and lower interest rates and hence, again, more job growth, higher standards of living, and greater profitability. It is worth noting that Continental Europe, with its less open markets, has persistent 10-12 percent unemployment and virtually no new job creation, while the United States, with its relatively open markets, has 4.3 percent unemployment and six years of vigorous job creation.

Throughout my tenure as Treasury Secretary, I have been very concerned by the ongoing pressures to reduce access to our markets, pressures that have only increased as a consequence of our large and growing trade deficit, which is largely the result of the economic performance of the rest of the world being weak relative to ours.

In addition to reducing the benefits of open markets I have just cited, restricting access to our markets would create an even greater than usual risk to our exporters. It would hamper the recovery in crisis countries that is so important to our exporters and to our own economic well being, and it could strengthen the voices of protectionism in industrial and developing countries around the world, which in turn could severely affect our exports and our economy as a whole.

The adverse effects of imports are concentrated, and the voices of those adversely affected are strong. The benefits of trade openness are more widely dispersed -- indeed, those who benefit are often unaware that they are doing so -- and the result is fewer, fainter voices for open markets. All of us need to work together to increase the awareness that open markets here and opening markets abroad are critical to business profitability, job growth and increased standards of living. And at the same time, we need effective programs to help those who are dislocated by trade to successfully re-enter the economy.

To conclude, I think the United States is very well positioned for success in the global economy of the 21st century. And I have no doubt that small businesses, which play such a critical role in our economy, will continue to do so. However, to realize our potential, we must -- in both the public and private sectors -- meet the challenges that the greatly changed global economy poses. That will require making tough decisions, in both the private and the public sectors. If we continue making those decisions, the decades ahead can be very good for our economy and our country. Thank you very much.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
May 20, 1999

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK, 26-WEEK, AND 52-WEEK BILLS

The Treasury will auction three series of Treasury bills totaling approximately $25,000 million to refund $25,625 million of publicly held securities maturing May 27, 1999, and to pay down about $625 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $12,973 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $4,922 million held by Federal Reserve Banks as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the highest discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $3,656 million of the original 13- and 26-week issues, and $1,266 million of the original 52-week issue.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $883 million into the 13-week bill, $679 million into the 26-week bill, and $597 million into the 52-week bill.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED MAY 27, 1999

May 20, 1999

Offering Amount	$7,500 million	$7,500 million	$10,000 million
Description of Offering:			
Term and type of security	91-day bill	183-day bill	364-day bill
CUSIP number	912795 CL 3	912795 CW 9	912795 DX 6
Auction date	May 24, 1999	May 24, 1999	May 25, 1999
Issue date	May 27, 1999	May 27, 1999	May 27, 1999
Maturity date	August 26, 1999	November 26, 1999	May 25, 2000
Original issue date	February 25, 1999	May 27, 1999	May 27, 1999
Currently outstanding	$11,423 million	---	---
Minimum bid amount and multiples	$1,000	$1,000	$1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids ...... Accepted in full up to $1,000,000 at the highest discount rate of accepted competitive bids.

Competitive bids .... (1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 7.100%, 7.105%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $1 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield .... 35% of public offering

Maximum Award .... 35% of public offering

Receipt of Tenders:

Noncompetitive tenders ... Prior to 12:00 noon Eastern Daylight Saving time on auction day
Competitive tenders ...... Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms .... By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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For Immediate Release
May 25, 1999

Contact: Public Affairs
(202) 622-2960

TREASURY SECRETARY ROBERT E. RUBIN HOSTS CAREER ACADEMY FORUM

Treasury Secretary Robert E. Rubin and Under Secretary James E. Johnson will be joined by officials from the Departments of Justice and Health and Human Services to host a Career Academy Forum and Dialogue on **Wednesday, May 26 from 8:30 a.m. to 12:30 p.m.** in Treasury's Cash Room at 1500 Pennsylvania Avenue, N.W.

Media without Treasury, White House, State, Defense or Congressional press credentials planning to attend should contact Treasury's Office of Public Affairs at (202) 622-2960 with the following information: name, social security number and date of birth. This information may also be faxed to (202) 622-1999.

RR-3167

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 10 A.M. EDT
Text as Prepared for Delivery
May 26, 1999

TREASURY UNDER SECRETARY GARY GENSLER TESTIMONY BEFORE THE HOUSE COMMITTEE ON BANKING AND FINANCIAL SERVICES

Chairman Leach, Ranking Member La Falce, members of the Committee, it is an honor to appear before you today. I will speak in support of reauthorization of the Community Development Financial Institutions (CDFI) Fund and the enactment of the Program for Investments in Micro-entrepreneurs (PRIME) Act, which authorizes the CDFI Fund to provide valuable support to micro-enterprise organizations and micro-entrepreneurs. I am pleased to be here with Ellen Lazar, the Director of the CDFI Fund and Maurice Jones, the Deputy Director for CDFI Fund Policy and Programs.

I want to thank Representatives Vento and Roukema for introducing the CDFI Fund Amendments Act, Representative Rush and Chairman Leach for introducing the PRIME Act and the members of this committee who have co-sponsored the Act. Both bills have received significant bipartisan support, and the Administration strongly supports their enactment. I also want to acknowledge the important role of this committee in bringing our attention to the areas in which the program could be improved.

OVERVIEW OF THE CDFI FUND

The CDFI Fund helps to promote private sector growth in economically distressed areas. In so doing, it helps to bring low income Americans into the economic mainstream. CDFIs are specialized financial institutions that meet the needs of underserved communities. They include credit unions, microenterprise funds, development banks, and equity or loan funds. Their mission is to provide financial services to those who are typically overlooked by traditional financial providers. CDFIs make financially sound loans, based on local market
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and customer knowledge, to homeowners, small businesses, and non-profit organizations. In so doing, CDFIs expand the reach of the private sector marketplace to the underserved communities. In addition, they demonstrate to traditional lenders that these are viable markets.

The role of the CDFI Fund is to strengthen and grow these institutions. The Fund pursues this strategy through a series of programs. The CDFI program provides equity, loans, grants and technical assistance to CDFIs. The Bank Enterprise Awards (BEA) program funds financial institutions that increase their lending and other financial services in distressed communities. The non-monetary Presidential Awards for Excellence in Microenterprise Development stimulates interest in micro enterprises and highlights best practices in the field. The Fund's training program will develop curriculum and deliver training to CDFIs to help them increase their capacity.

These programs are complementary and mutually reinforcing. By working to build the strength of local financial institutions, these programs respond to the needs of small businesses in individual communities, and establish local sources of development finance.

So far, the CDFI program has made over 200 awards in excess of $135 million to CDFIs around the country. The Fund expects to award over $60 million more to CDFIs this summer. The leveraging of the Fund's investment is powerful. We require these CDFIs to match our dollars at least one-to-one. CDFIs, in turn, further leverage the Fund's investment by attracting additional sources of capital, attracting additional deposits, partnering with other lenders, or co-investing with other equity investors. A survey of the Fund's first year of awards in 1996 showed that $34 million in federal dollars helped to stimulate $565 million in community development loans and investments.

Under the Bank Enterprise Awards, banks and thrifts are increasing investments in CDFIs. The Fund's $58 million in BEA awards have already leveraged $983 million in bank investments and support, 17 times the Fund's awards.

With important insight and advice gained from the Subcommittee on Government Oversight of this Committee, Ellen Lazar and her team have undertaken the necessary improvements to the Fund's financial and program management, reporting systems, internal controls, operating procedures, and awards monitoring. This year, the Fund received a positive audit from KPMG Peat Marwick, LLP, and the audit verified that the Fund had successfully corrected all material weaknesses identified in last year's audit. In sum, the CDFI Fund has a strong management team in place, with a sound infrastructure. It is well-positioned to serve low income communities in the years ahead.

THE CDFI FUND'S SUPPORT FOR MICRO-ENTERPRISE

CDFIs are part of the Administration's broader effort to help bring greater capital and investment into America's economically distressed areas. The President's FY2000 budget provides $125 million for CDFI programs, including $15 million for implementing the PRIME Act. It also increases funding for the SBA micro loan program and other similar programs that stimulate micro entrepreneurial activities in communities throughout the nation.

The Fund currently supports micro-enterprise in many ways.

First, as part of the CDFI program, the Fund provides grants, loans and technical assistance to strengthen the capacity of CDFIs, including micro-enterprise organizations whose primary mission is to provide financial assistance to low income borrowers or in low income communities.

Second, the Fund plays a leadership role in the micro-enterprise field through the Presidential Awards for Excellence in Microenterprise Development. The Awards reflect an on-going commitment by the Administration to advance the role that microenterprise development plays in enhancing economic opportunities of all Americans, especially those that lack access to traditional sources of credit such as women, low income people, and minorities.

For example, in 1998, the Northeast Entrepreneur Fund, Inc. of Minnesota received the Presidential Award for Excellence in Microenterprise Development for providing training and technical assistance to 2,700 people. They also made $1.2 million in loans to 123 businesses, of which 84% were owned and operated by low income entrepreneurs from seven rural counties in Northeastern Minnesota. In fact, over 60% of businesses they financed were start-ups, and 85% of these businesses survived over two years.

Third, the President, by Executive Memorandum, has charged the Fund with the coordination of micro-enterprise programs across the federal government. The Fund has been leading that effort along with the Small Business Administration (SBA). We believe these efforts will help the micro-enterprise field in the years ahead.

THE PRIME ACT

The Microenterprise field in the United States has grown significantly over the past ten years. However, we believe that there is more that can be done. PRIME is an essential component of the Administration's broad micro enterprise strategy. Its unique features are that it funds training for low income entrepreneurs and that it provides targeted assistance to the most vulnerable and lowest income entrepreneurs. It also complements other microenterprise efforts like the SBA micro loan program, which we believe Congress should fully fund in FY2000.

The PRIME Act would authorize the CDFI Fund to support micro-enterprise development organizations that provide training and technical assistance to micro-entrepreneurs, complementing the Fund's existing authority to support micro-enterprise organizations whose primary focus is financial assistance. We believe that the PRIME Act will help maintain and strengthen the capacity of local microenterprise development institutions to serve impoverished areas. The CDFI Fund has demonstrated strength in building strong local institutions to develop economically distressed communities.

While capital is critical for a small business to grow, it is not enough. Often, the difference between success and failure for any business is the availability of sound business advice, and that is particularly true for low-income micro-entrepreneurs. But such assistance is hard to find. The PRIME Act will help micro-businesses develop the expertise that they need to succeed. And these successful small businesses can help low income families increase their income while improving the local business climate.

CONCLUSION

Mr. Chairman, the Fund's vision is practical and thoughtfully developed. The Fund's investments are making a difference. Enactment of the CDFI Fund reauthorization would ensure that the Fund can continue to be a stable and reliable source for local CDFIs to help grow small businesses, build affordable homes, and strengthen communities in the years ahead. Furthermore, the enactment of the PRIME Act would bring critical technical assistance to micro-enterprises and help strengthen the capacity of the field.

Thank you again for your support and we look forward to working with you in enacting the CDFI Fund's reauthorization, and the PRIME Act.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

R IMMEDIATE RELEASE
y 24, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	May 27, 1999
Maturity Date:	August 26, 1999
CUSIP Number:	912795CL3

High Rate: 4.495% Investment Rate 1/: 4.621% Price: 98.864

All noncompetitive and successful competitive bidders were awarded :urities at the high rate. Tenders at the high discount rate were .otted 56%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 21,663,536	$ 5,883,536
Noncompetitive	1,315,006	1,315,006
PUBLIC SUBTOTAL	22,978,542	7,198,542 2
Foreign Official Refunded	302,259	302,259
SUBTOTAL	23,280,801	7,500,801
Federal Reserve	3,968,180	3,968,180
Foreign Official Add-On	18,541	18,541
TOTAL	$ 27,267,522	$ 11,487,522

Median rate 4.480%: 50% of the amount of accepted competitive tenders tendered at or below that rate. Low rate 4.390%: 5% of the amount .ccepted competitive tenders was tendered at or below that rate.

to-Cover Ratio = 22,978,542 / 7,198,542 = 3.19

quivalent coupon-issue yield.
wards to TREASURY DIRECT = $975,132,000

.70

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT WASHINGTON DC

IMMEDIATE RELEASE
24, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	183-Day Bill
Issue Date:	May 27, 1999
Maturity Date:	November 26, 1999
CUSIP Number:	912795CW9

High Rate: 4.570% Investment Rate 1/: 4.756% Price: 97.677

All noncompetitive and successful competitive bidders were awarded ırities at the high rate. Tenders at the high discount rate were ɔtted 93%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,172,625	$ 3,395,375
Noncompetitive	1,040,062	1,040,062
PUBLIC SUBTOTAL	21,212,687	4,435,437 2/
Foreign Official Refunded	3,071,171	3,071,171
SUBTOTAL	24,283,858	7,506,608
Federal Reserve	3,860,000	3,860,000
Foreign Official Add-On	187,129	187,129
TOTAL	$ 28,330,987	$ 11,553,737

Median rate 4.560%: 50% of the amount of accepted competitive tenders tendered at or below that rate. Low rate 4.470%: 5% of the amount ccepted competitive tenders was tendered at or below that rate.

o-Cover Ratio = 21,212,687 / 4,435,437 = 4.78

uivalent coupon-issue yield.
ards to TREASURY DIRECT = $743,340,000

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

Weekly Release of U.S. Reserve Assets

May 25, 1999

The Treasury Department today released U.S. reserve assets data for the week ending May 21, 1999.

As indicated in this table, U.S. reserve assets totaled $71,825 million as of May 21, 1999, down from $72,301 million as of May 14, 1999.

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

1999 *Week Ending*	Total Reserve Assets	Gold Stock [1/]	Special Drawing Rights [2/]	Foreign Currencies [3/] ESF	SOMA	Reserve Position in IMF [2/]
May 14, 1999	**72,301**	11,049	9,883	14,839	14,835	21,696
May 21, 1999	**71,825**	11,049	*9,774*	14,711	14,710	*21,582*

' Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of March 31, 1999. The February 28,)99 value was $11,047 million.

' SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official)R/dollar exchange rate. Consistent with current reporting practices, IMF data for May 14, 1999 are final. Data for SDR)ldings and the reserve position in the IMF shown as of May 21, 1999 (in italics) reflect preliminary adjustments by the Treasury the May 14, 1999 IMF data.

' Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market :count (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be reed upon by the parties to the transactions.

-3172

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
May 25, 1999

Contact: Office of Financing
202/691-3550

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $11,000 million of 14-day Treasury cash management bills to be issued June 1, 1999.

Competitive and noncompetitive tenders will be received at all 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 (*TreasuryDirect*). Tenders will not be received at the Bureau of the Public Debt, Washington, D.C.

Additional amounts of the bills may be issued to Federal Reserve Banks as agents for foreign and international monetary authorities at the highest discount rate of accepted competitive tenders.

The auction being announced today will be conducted in the single-price auction format. All competitive and noncompetitive awards will be at the highest discount rate of accepted competitive tenders.

This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

NOTE: Competitive bids in cash management bill auctions must be expressed as a discount rate with two decimals, e.g., 7.10%.

Details about the new security are given in the attached offering highlights.

The Treasury expects to announce another short-term cash management bill on June 1, 1999, at 11:00 a.m. Eastern Daylight Saving time.

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RR-3173

HIGHLIGHTS OF TREASURY OFFERING
OF 14-DAY CASH MANAGEMENT BILL

May 25, 1999

Offering Amount	$11,000 million
Description of Offering:	
Term and type of security	14-day Cash Management Bill
CUSIP number	912795 GV 7
Auction date	May 27, 1999
Issue date	June 1, 1999
Maturity date	June 15, 1999
Original issue date	June 1, 1999
Minimum bid amount and multiples	$1,000
Submission of Bids:	
Noncompetitive bids	Accepted in full up to $1,000,000 at the highest accepted discount rate.
Competitive bids	(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
	(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $1 billion or greater.
	(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.
Maximum Recognized Bid at a Single Yield	35% of public offering
Maximum Award	35% of public offering
Receipt of Tenders:	
Noncompetitive tenders	Prior to 12:00 noon Eastern Daylight Saving time on auction day
Competitive tenders	Prior to 1:00 p.m. Eastern Daylight Saving time on auction day
Payment Terms	By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender.

PUBLIC DEBT NEWS

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TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

MMEDIATE RELEASE
5, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

ɜrm:	364-Day Bill
ssue Date:	May 27, 1999
ıturity Date:	May 25, 2000
JSIP Number:	912795DX6

High Rate: 4.630% Investment Rate 1/: 4.879% Price: 95.319

l noncompetitive and successful competitive bidders were awarded ties at the high rate. Tenders at the high discount rate were ed 38%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

ɜnder Type	Tendered	Accepted
mpetitive	$ 20,409,463	$ 7,746,753
ncompetitive	996,325	996,325
PUBLIC SUBTOTAL	21,405,788	8,743,078 2/
ɾeign Official Refunded	1,266,000	1,266,000
SUBTOTAL	22,671,788	10,009,078
leral Reserve	5,145,000	5,145,000
eign Official Add-On	134,000	134,000
AL	$ 27,950,788	$ 15,288,078

ɜn rate 4.615%: 50% of the amount of accepted competitive tenders ɜred at or below that rate. Low rate 4.570%: 5% of the amount ed competitive tenders was tendered at or below that rate.

ɪver Ratio = 21,405,788 / 8,743,078 = 2.45

lent coupon-issue yield.
to TREASURY DIRECT = $708,604,000

DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 10:00 am EDT
Text as Prepared for Delivery
May 26, 1999

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND DIRECTOR ELLEN W. LAZAR TESTIMONY BEFORE THE HOUSE BANKING COMMITTEE

INTRODUCTION

Chairman Leach, Congressman LaFalce and distinguished Members of the Committee, it is a pleasure to be before you today to represent the Community Development Financial Institutions Fund (the CDFI Fund or the Fund). I am Ellen Lazar, the Director of the Fund. Before I begin my testimony, I would like to introduce you to two other key members of the Fund who are with me today: Paul Gentille, Deputy Director for Management/Chief Financial Officer of the Fund, and Maurice Jones, Deputy Director for Policy and Programs at the Fund.

STRONG AND EFFECTIVE MANAGEMENT

Since becoming Director of the Fund in January of 1998, one of my top priorities has been the implementation of improvements to the Fund's financial and program management, reporting systems, internal controls, operating procedures, and awards monitoring. I am very pleased to report to the Committee that over the past 16 months we have made great progress in these areas. I would also like to acknowledge the role the Committee (particularly the Subcommittee on General Oversight) has played in helping to strengthen the Fund's organizational capacity.

In the Fund's financial audit for Fiscal Years 1995 through 1997, our independent auditors, KPMG Peat Marwick, LLP (KPMG), provided an unqualified opinion, affirming that our financial statements fairly presented the financial position of the Fund as of September 30, 1997, 1996, and 1995. KPMG also confirmed our identification of material weaknesses that we needed to correct.

RR-3175

KPMG recently completed the Fund's fiscal year 1998 audit, and I am pleased to report that we have again received an unqualified opinion. In addition, KPMG verified that we have successfully corrected all material weaknesses identified in last year's audit. They have reported no new material weaknesses for this year's audit.

We are in compliance with the Federal Managers' Financial Integrity Act (FMFIA). Our system of internal management, accounting and administrative control has been strengthened and is operating effectively. Our enhanced policies and procedures ensure that our programs achieve their intended results; our resources continue to be used in a manner that is consistent with our mission; and our programs and resources are protected from waste, fraud, and mismanagement.

As evidenced by our auditor's report, the Fund has taken critical steps to strengthen and build its infrastructure and hire staff. During FY 1998, a Deputy Director for Management/Chief Financial Officer, Awards Manager and Financial Manager were hired -- critical positions for ensuring proper internal controls and accountability. In addition, a Deputy Director for Policy and Programs was appointed and program managers for each program were hired. The Fund's legal department was substantially increased and additional staff have been hired to help carry out the Fund's many programs. Our enhanced internal procedures and staff capacity has helped us to deliver more effectively our award dollars to the institutions selected to receive awards. For example, with respect to our Core Component CDFI Program, all of our 1996 awardees have received disbursements and 92 percent of our 1997 awardees have received disbursements. We are currently disbursing the 1998 awards, which were announced in late September of last year. We anticipate disbursing funds to all 1998 awardees by August of this year. Our 1999 awards have not yet been determined.

The Fund is committed to managing for results. We have undertaken a rigorous review of the Fund's five-year strategic plan, goals, and performance measures. I am happy to report that we have completed this process and have forwarded to you our new strategic plan along with our 1998 Annual Report. The Fund was established by Congress in 1994 and I would like to again, acknowledge the strong role this Committee has played as we work to achieve our mission.

STRENGTHENING COMMUNITIES: PROVIDING ACCESS TO CAPITAL

Overview

The Fund's mission is to promote access to capital and local economic growth by directly investing in and supporting community development financial institutions (CDFIs) and expanding banks' and thrifts' lending, investment, and services within underserved markets.

Currently, the CDFI Fund pursues its mission primarily through five initiatives: the CDFI Program, which includes the Core, Technical Assistance and Intermediary Components; the

Bank Enterprise Award (BEA) Program; the Presidential Awards for Excellence in Microenterprise Development; the Native American Lending Study and Action Plan; and our Policy and Research Programs. The CDFI Fund also administers a Certification Program for community development financial institutions.

CDFI Program and Certification

The CDFI Program has three funding components: Core, Intermediary and Technical Assistance. These three components promote the CDFI Fund's goal, articulated in its strategic plan, of strengthening the expertise and the financial and organizational capacity of CDFIs to address the needs of the communities that they serve. CDFIs include community development banks, community development credit unions, non-profit loan funds, micro-enterprise loan funds, and community development venture capital funds.

Under each component, the CDFI Fund selects awardees through a rigorous and competitive evaluation process. The Fund examines, among other things, the applicant's financial strength, management capacity, programmatic track record and, if applicable, ability to raise matching funds. The Fund selects awardees that clearly demonstrate private sector market discipline and the capacity to positively impact underserved communities long after they have received assistance from the Fund.

The *Core Component* builds the financial capacity of CDFIs by providing equity investments, grants, loans or deposits to enhance the capital base -- the underlying financial strength -- of these organizations so that they can better address the unmet community development needs of their target markets. In addition, under the Core Component, the Fund provides technical assistance grants in conjunction with loans and investments in order to maximize the community development impact of the Fund's awards. This component leverages additional private and public sector investments into these CDFIs through its one-to-one non-federal match requirement for financial assistance.

The *Intermediary Component* allows the Fund to invest in additional CDFIs indirectly, through intermediary organizations that support CDFIs. These intermediary entities, which are also CDFIs, generally provide intensive financial and technical assistance to small and growing CDFIs, thereby strengthening the industry's financial and institutional capacity. The Intermediary Component also has a one-to-one non-federal match requirement for financial assistance.

Since inception, under the Core and Intermediary Components, the Fund has made 135 awards totaling $ 132 million.

The *Technical Assistance (TA) Component* of the CDFI Program is the Fund's newest funding program. Introduced in 1998, this component builds the capacity of startup, young and small institutions. The TA Component allows the Fund to direct relatively small amounts of funds to CDFIs that demonstrate significant potential for generating community development impact but whose institutional capacity needs to be strengthened before they can fully realize this potential.

In the first TA Component round held in 1998, the Fund awarded $3 million to 70 institutions.

Under the 1998 funding rounds, the Fund awarded a total $54 million to 54 institutions through its CDFI Program. In 1998 as in all previous years, demand for CDFI Program funding far exceeded the funding we announced as available. Under the Core and Technical Assistance Components we announced the availability of approximately $45 million. We received requests for more than $176 million.

For 1999, with the help of the $95 million appropriated to the Fund for FY 99, we anticipate that we will make $62 million in awards to 130 institutions under the CDFI Program. In October, the Fund published the FY 99 Notice of Funds Availability (NOFA) for both the Core and Intermediary Components, announcing a total of $57.5 million available, $50 million for the Core Component and $7.5 million for the Intermediary Component. We received 153 Core applications requesting a total of $192 million. We anticipate making approximately 55 Core awards. We received eight Intermediary applications requesting a total of $16 million. We anticipate making five Intermediary awards. In January, we published the FY 99 NOFA for the Technical Assistance Component. With the $5 million available for TA awards, we anticipate making 75 awards. We received 160 TA applications, requesting a total of $8.3 million.

To date, institutions in 43 states plus Puerto Rico and the District of Columbia have received CDFI Program awards. To encourage applications from a diverse pool of applicants, the Fund conducts informational workshops. Among the 19 Core and Intermediary workshops conducted in 1998, five were located in States that have not had previous Core or Intermediary Awardees. In March of this year, the Fund held 18 informational workshops on the Technical Assistance Component around the country, again selecting several regions in which there are no current awardees.

To further our goal of building the institutional capacity of the CDFI field, we provide debriefings to applicants that are not selected for an award. Applicants are given valuable feedback about strengths and weaknesses of their applications as observed by those community development professionals involved in reviewing their requests for funding. Many of these applicants use the information gathered from the debriefing to build the strength of their operations and to improve their performance.

In addition to our CDFI funding programs, the Fund administers a CDFI Certification Program. CDFI certification increases the credibility of community lending organizations in the eyes of potential funders and investors. An organization that is certified is better able to attract private sector investments from local banks, corporations, foundations, and individuals.

To date, we have certified a total of 300 organizations in 47 states, plus the District of Columbia and Puerto Rico. New applications arrive each month.

Bank Enterprise Award Program

The Bank Enterprise Award (BEA) Program is the Fund's primary tool for pursuing its strategic plan goal of expanding banks' and thrifts' community development lending and investment activity. By providing incentives to these mainstream financial institutions, the Fund encourages them to increase their investments in underserved communities. These financial institutions do this in two ways: by providing loans, investments and services directly to the communities in need; and indirectly, by investing in local CDFIs or other community development programs, that then provide financial and development services to the communities.

The leveraging involved in this program is impressive. To date, 124 banks and thrifts in 30 states have received $58 million in BEA funding. This $58 million actually translates into investments in underserved communities of $983 million, seventeen times the amount of the CDFI Fund's investment. The awardees have invested $712 million in direct loans, investments and services to the community, and $271 million into CDFIs.

The Fund increased its BEA awards in 1998 when it made 79 awards totaling $28 million. In 1996, we made 38 awards totaling $13.1 million; in 1997 we made 54 awards totaling $16.5 million. For the FY 99 funding round, we conducted twelve informational workshops around the country and received 139 applications. The Fund anticipates selecting approximately 80 of these institutions to receive awards totaling $25 million.

Presidential Awards for Excellence in Microenterprise Development

The Presidential Awards for Excellence in Microenterprise Development is a non-monetary program administered by the Fund that recognizes and seeks to bring attention to organizations that have demonstrated excellence in promoting micro-entrepreneurship. By recognizing outstanding microenterprise organizations, the Presidential Awards seek to promote best practices and bring wider public attention to the important role and successes of microenterprise development especially in enhancing economic opportunities among women, low-income people and minorities who have historically lacked access to traditional sources of credit. This program is one of the ways that the Fund is promoting best practices in the industry.

In February of this year, the President presented awards to six organizations for their work in the microenterprise industry.

Native American Lending Study and Action Plan

Our Native American Lending Study and Action Plan is intended to stimulate private investment on Indian Reservations and other land held in trust by the United States. The first step in accomplishing this goal is identifying the barriers to private financing in these areas. In 1998, we launched an action plan that will examine lending and investment practices on Native American lands, identify lending and investment barriers and their impacts, and make recommendations for removing them. As part of that plan, we are holding workshops in 13 cities across the country this year. The workshops involve the Native American community, financial institutions, state agencies and community development organizations. With the assistance of the participants in these workshops, we anticipate that the study will be completed in fiscal year 2000.

Policy and Research

The Fund is perhaps the largest single source of capital available to the CDFI industry nationwide. It has access to data from hundreds of community development financial institutions nationwide. This includes information about the institutions as well as their target markets. In addition to baseline data derived from the process of certifying or funding applicants, the Fund collects longitudinal data on all of its awardees over at least a five-year period. Our policy and research goals include: measuring and reporting on the performance and outcomes of the Fund and its awardees and seeking to advance the CDFI industry as a whole through involvement in industry-wide research and development efforts.

In 1998 and 1999, we moved forward on the first of these, measuring and reporting on the performance and outcomes of Fund awardees. As you know, the Fund invests in CDFIs to promote their long-term viability and ability to serve distressed communities. Today, I am pleased to be able to report some preliminary findings of our efforts thus far with respect to the accomplishments of our awardees.

PERFORMANCE AND IMPACT

Surveys

Using surveys, the Fund collected performance and outcome data on 30 of our 31 first-round CDFI Core Component awardees. These awardees were chosen in 1996. We began our evaluation on only first round awardees because they have had at least a year to absorb the Fund's investments and put them to work. Our sample of 30 first round awardees includes six credit unions, 14 loan funds, three community development banks, three venture capital funds, two microenterprise programs, and two multifaceted CDFIs. Together, they received $34 million in CDFI awards. What has our $34 million helped these institutions to accomplish?

Our preliminary findings demonstrate that these awardees have generated significant community development over the past three years. For example, they have made $565 million in community development loans and investments. These loans and investments have helped to create or expand 1,895 microenterprises and 1,148 businesses; create or retain 12,412 jobs; develop 8,617 units of affordable housing, 98 childcare centers serving 7,168 children, 17 health care facilities serving 32,723 clients and 170 additional community, cultural, human services and educational facilities. Further, these awardees have provided business training, credit counseling, homebuyer training and other development services to 10,641 individuals.

Based on our sample, 70 percent of the clients of the average 1996 awardees are low-income individuals. Sixty percent are minority individuals. Fifty percent are women. Fifty-three percent live in the inner city. Eleven percent live in rural communities. Thirty-six percent live in suburban areas.

Since receiving their Fund awards, the 1996 awardees in our sample have strengthened their capacities to deliver products and services to their target communities. Their total assets have increased by 122 percent, growing from $473 million in the aggregate before they received their awards to $1.05 billion in the aggregate in 1998.

Case Studies

In addition to the outcomes surveys, the Fund is conducting in-depth case studies of a sample of awardees. The case studies include on site evaluations by the Fund to examine the CDFI's activities within the local economic development context. To date, we have completed the fieldwork for three case studies. We anticipate undertaking several more case studies in the coming year. The three on site evaluations that have been completed thus far have been in Boston, Massachusetts, San Antonio, Texas and Santa Cruz, California. Our initial research suggests how CDFIs are positively affecting their communities.

In Boston, many of the city's poorer neighborhoods did not benefit from the economic growth in the 1980s; their conditions actually worsened during that period. Yet these same neighborhoods have experienced notable improvements in the past 10 years, thanks in no small part to the work of CDFIs such as the Boston Community Loan Fund and the Local Initiatives Support Corporation, two CDFI Fund awardees. These CDFIs have been critical behind-the-scenes actors. They have provided badly needed financial and technical support to two of the city's most effective community development corporations (CDCs), enabling the groups to develop the scale necessary to carry out affordable housing and commercial projects that have revitalized long-declining communities such as East Boston and Egleston Square. Since the mid-1980s, the CDFIs have provided over $7.5 million to the CDCs, which in turn have: built or rehabbed over 800 units of affordable housing; managed an additional 900 apartments and commercial properties; and operated after-school and other programs for 150 neighborhood youths. The CDFIs have also played a crucial intermediary role, working with bankers, city officials, and corporate and foundation leaders to encourage additional targeted investment in these neighborhoods. A number of bankers view the CDFIs as important partners in their community development work, crediting the CDFIs with effectively serving organizations and individuals that the banks cannot afford to serve.

All around San Antonio, public and private sector institutions recognize the important work of ACCION Texas, a CDFI Fund awardee. From the city's Economic Development Office to local Chambers of Commerce to banks ranging in size from local independent banks to Chase Manhattan, ACCION is viewed as the source of financial services for a previously neglected -- yet significant -- segment of the population: the low- and moderate-income micro entrepreneurs who live and work in some of the city's poorest neighborhoods. ACCION is seen as the organization that can get loan capital into the hands of this underserved population -- and just as important -- get it back. ACCION's 400 clients include plumbers, electricians, seamstresses, independent taxi drivers, and street vendors. They are primarily Hispanic. Without ACCION, they would not have access to credit for their businesses. The stories are by now familiar: these micro entrepreneurs do not have sufficient collateral; they don't have good business records; or they don't need enough money to make them attractive to a bank. With ACCION, they are able to get the financial and technical assistance they need to grow their businesses and to make them more prosperous through better business management. ACCION's success in San Antonio has led it to begin opening offices around the state, in the Rio Grande Valley, Houston, Dallas, Austin, and Fort Worth.

In Santa Cruz county in California, the third largest community development credit union in the nation, the Santa Cruz Community Credit Union (SCCCU), offers a wide range of financial products and services designed to meet the financial needs of a predominantly rural low income population. The need is perhaps greatest in Watsonville, where the unemployment rate is 15.8 percent -- more than three times the national average. Adding to the unemployment rate are the former-migrant agricultural workers who are settling in the area in increasing numbers, even though agricultural work remains seasonal. The employment and income figures highlighted the importance of focusing on the Watsonville population. With the help of its CDFI Fund award, the Santa Cruz Community Credit Union opened a branch in Watsonville so that it could ensure credit and banking access for all citizens, especially the Latino population which had historically distrusted traditional banking enterprises due to discrimination and neglect.

H.R. 629: Reauthorization

H.R. 629 proposes to extend the appropriations authorization for the CDFI Fund through FY 2003 and enable the Fund to more efficiently and effectively promote economic revitalization, community development, and community development financial institutions (CDFIs).

The proposal is intended to improve the management of the Fund by clarifying that the Secretary of the Treasury (Secretary) has supervisory responsibility over the Fund and that the Treasury Inspector General is the Inspector General of the Fund. In addition, the proposal is intended to improve the efficiency and effectiveness of four of the Fund's authorized programs: the CDFI Program; the Training Program; the BEA Program; and the Small Business Capital Enhancement (SBCE) Program.

As previously mentioned, under the CDFI Program, the Fund has authority to provide technical assistance to CDFIs to enhance their abilities to serve their target markets. H.R. 629 proposes to expand the tools with which the Fund can provide such assistance by authorizing it to enter into cooperative agreements with these organizations.

Currently, the Fund has authority to operate a training program for CDFIs and other members of the financial services industry that engage in community development finance activities. The reauthorization legislation will allow the Fund to administer this training through a competitive grant program.

Under the BEA Program, the Secretary is authorized to award grants to insured depository institutions that increase their level of qualified activities in the form of investments, loans, technical assistance and deposits in both CDFIs and distressed communities. The current eligibility criteria for determining which communities are distressed appear disadvantageous to insured depository institutions serving rural communities. The proposal addresses this problem by authorizing the Fund to promulgate alternative eligibility criteria.

The purpose of the SBCE Program is to promote economic opportunity and growth by encouraging financial institutions to expand their lending to small businesses. Under the SBCE Program, the Fund is authorized to enter into funding agreements with States in which it will match on a quarterly basis up to 50 percent of a State's contributions to a small business loan loss reserve. The Fund has not been able to implement the SBCE Program, because implementation is contingent upon a $50 million, no-year appropriation. The proposal would repeal this requirement. In addition, the proposal would allow CDFIs to participate in the SBCE Program.

Finally, the reauthorization legislation contains safeguards designed to ensure that the Fund administers its programs in an effective, proper and thorough manner.

H.R. 413: The PRIME Act

H.R. 413, the Program for Investment in Microentrepreneurs Act of 1999 (the PRIME Act), was introduced in the House on January 19 of this year by Congressman Bobby Rush. House Banking Chairman James Leach and Ranking Member John LaFalce are among the bill's sponsors. Similar legislation was introduced in the Senate on February 10 of this year. Senator Kennedy introduced the bill. Senators Domenici, Reid, Grassley, Abraham, Robb, Collins, Boxer, Santorum, Sarbanes and Snowe are also sponsors of the bill.

In his FY 2000 budget, the President requests $15 million to administer a program under the PRIME Act. Funding for PRIME is one part of the support for domestic microenterprise programs contained in the President's FY 2000 budget. Overall, President Clinton's FY 2000 budget includes a 159% increase in support for domestic microenterprise programs.

The primary purpose of the PRIME Act is to build the institutional strength of microenterprise development organizations and programs and other qualified entities and assist these organizations to effectively meet the training and technical assistance needs of low-income and disadvantaged entrepreneurs. The proposed program would be a competitive grant program under which the Fund would provide funds to microenterprise development organizations, microenterprise development programs, intermediaries or other qualified organizations for the following purposes: i) to provide training and technical assistance to low-income and disadvantaged entrepreneurs interested in starting or expanding their businesses; ii) to engage in capacity building activities in order to enhance their ability to serve low-income and disadvantaged entrepreneurs; and iii) to engage in research and development activities aimed at identifying and promoting entrepreneurial training and technical assistance programs that effectively serve low-income and disadvantaged entrepreneurs.

PRIME would allow the Fund to meet a growing need that it currently cannot address. This is the need to strengthen organizations that are providing critical training and technical assistance to the most vulnerable population of entrepreneurs: low-income and disadvantaged microentrepreneurs. One of the clearest lessons that has emerged from the first decade of microenterprise development in the United States is that provision of training and technical assistance is a necessary ingredient for building successful entrepreneurs. In the highly developed U.S. economy, starting and running a successful business requires a solid understanding of, among other things, business regulations, tax issues, record keeping, and marketing. Many of the thousands of people who have started microenterprises to make ends meet do not have these skills. PRIME would address this issue.

Several agencies within the Federal government currently support microenterprise-related programs. They include the Small Business Administration (SBA), Department of Agriculture, Department of Health and Human Services and the Department of Housing and Urban Development. These programs, which have proven to be very effective, help to empower individuals who are often left out of the economic mainstream. A sign of how important these currently existing programs are to this Administration is the Administration's budget request to significantly increase funds for the SBA's microenterprise programs.

Except for SBA's Microloan Program, which provides technical assistance funding to lending and non-lending intermediaries, most federal support for microenterprise-related programs is in the form of loan capital. PRIME aims to effectively meet the training and technical assistance needs of low-income entrepreneurs. It is a human capacity development strategy as opposed to a credit and finance development strategy. It focuses on developing the knowledge and skills needed to succeed in business, rather than on providing finance. Both strategies are necessary to assist low-income people to enter the economic mainstream.

Also, PRIME is targeted to some of the most vulnerable citizens. While all PRIME funds are targeted to economically distressed areas and to serve low-income individuals, at least 50 percent of the grants made under the PRIME program must be used to benefit very low-income individuals, people with incomes of not more than 150 percent of the poverty line. Further, in order for an organization to qualify for PRIME funds, it must be able to demonstrate the ability to match any federal PRIME dollars with $0.50 for every dollar.

Should H.R.413 be enacted, the Fund would administer the PRIME Program in a manner similar to its administration of its existing assistance programs. We would create a competitive grant program. Under that program, the Fund would seek to provide grants to those qualified organizations that demonstrate that they are viable institutions that can deliver quality training and technical assistance services to disadvantage microentrepreneurs for some time to come.

CONCLUSION

Mr. Chairman, Members of the Committee, thank you for giving me the opportunity to provide you with this information on the Fund's current activities and the proposed legislation regarding its reauthorization and the PRIME Act. I look forward to working with you on this legislation. I would be happy to respond to any questions you may have.

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TMENT OF THE TREASURY

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:livery

Number of institutions report

Total assets

Cash and balances due fror
Securities
Federal funds sold and secı
Net loans and leases
Total loans and leases
Loans and leases, gross
Less: Unearned income
Less: Reserve for losses
Assets held in trading acco
Other real estate owned
Intangible assets
All other assets

Gross loans and leases by ty
Loans secured by real esta
1-4 family residential mor
Home equity loans
Multifamily residential mo
Commercial RE loans
Construction RE loans
Farmland loans
RE loans from foreign offi
Commercial and industrial
Loans to individuals
Credit cards*
Other revolving credit pla
Installment loans
All other loans and leases

Securities by type:
U.S. Treasury securities
Mortgage-backed securitie
Pass-through securities
Collateralized mortgage o
Other securities
Other U.S. government se
State and local governme
Other debt securities
Equity securities

Memoranda:
Agricultural production loar
Pledged securities
Book value of securities
Available-for-sale securiti
Held-to-maturity securitie
Market value of securities
Available-for-sale securiti
Held-to-maturity securitie

ISTANT SECRETARY FOR INTERNATIONAL AFFAIRS
:DWIN M. TRUMAN REMARKS TO THE
/ELOPMENT BANK AND FUND ANNUAL MEETINGS
CAIRO, EGYPT

istinguished Governors of the African Development Bank, and honored resent the United States at this important occasion. I am especially :ity of Cairo which has given much to our past and present and remains a peace and economic prosperity in Africa and globally. I thank the people for a most warm and memorable welcome.

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ıblic schedules and official biographies, call our 24-hour fax line at (202) 622-2040

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Remarks as Prepared for Delivery
May 26, 1999

TREASURY ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS EDWIN M. TRUMAN REMARKS TO THE AFRICAN DEVELOPMENT BANK AND FUND ANNUAL MEETINGS CAIRO, EGYPT

President Kabbaj, distinguished Governors of the African Development Bank, and honored guests, it is an honor to represent the United States at this important occasion. I am especially pleased to be in this grand city of Cairo which has given much to our past and present and remains a key to our future hopes of peace and economic prosperity in Africa and globally. I thank the Egyptian Government and people for a most warm and memorable welcome.

We come together at a time of transition. The world continues to make difficult adjustments following the end of the Cold War. Political and economic reforms are sweeping through many regions. In Africa, the emergence of a new generation of leaders and the coming of age of populations born after the colonial period have led to dramatic transformations of political and economic arrangements, increasing potential for constructive change.

Sadly, for Africa and for too many others in the world, too much of the change has been violent. Some 20 percent of Africans live in countries formally at war or disrupted by war. While some may unwillingly be drawn into conflict to protect their homes or fundamental human rights, others may have baser motives. Military and human expenditures continue to take a terrible toll on affected populations.

On a brighter note, much of Africa is striving to find a new balance and address its own problems through peaceful and democratic processes:

- In recent years, civil society has grown stronger and public participation is spreading. Thirty governments have held elections during the past several years.
- Within days, we shall applaud peaceful and democratic political transitions in two of Africa's largest countries, Nigeria and South Africa. Nigeria's recent election adds about 100 million people to the number of Africans who have gained a voice in their own government.
- In many countries, economic reform has been underway for over a decade.

While adjustment still has a long way to go to transform most Africans' lives, the record is clear. Numerous studies at the African Development Bank and the World Bank, as well as by independent scholars, show that the countries that pursue sound economic and fiscal policies are the ones that sustain the highest growth rates. Economically and financially, we see increasing evidence of the ability of Africa's reforming economies to hold their own.

The World Bank estimates that in 1998, Africa's growth was down somewhat, to about 3.2 percent -- due in part to the effects of el Nino, disruptions in the global financial system, and the fall in basic commodity prices associated with the Asian financial crisis. The adverse impact of outside forces, however, was mitigated in many countries by continuing reform, and a number of countries demonstrated impressive growth.

Botswana, Cote d'Ivoire, Egypt, Mali, Mauritius, Mozambique, Tunisia, and Uganda have grown at 5 percent or more annually in the past three years.

Throughout this Annual Meeting we have seen examples of the benefits that accrue to a country that maintains good macroeconomic policies, and of the costs to a country that does not. However, good macroeconomic policies in and of themselves are not sufficient to ensure nor sustain higher living standards for the poor -- in other words, to meet the "primordial challenge" of poverty reduction. Strong macroeconomic performance provides the foundation for overall economic growth, but deeper structural reforms are the way to ensure that the benefits of growth are shared and produce higher living standards for the poor. Two key structural areas that deserve strong emphasis, areas where the African Development Bank Group and its member countries can make major contributions, are *investment in people and good governance.*

Investment in People

Many economies are suffering from the consequences of under-investment in their people. The World Bank has provided a succinct yet powerful logic for investing heavily in people: *No country has ever taken off, economically, with a literacy level below fifty percent.*

Weak investment in people often reflects poor policy priorities by a government, or weak public institutions within a country. Some countries are engaged impressively in addressing these issues. Yet, while we have seen some modest improvements in such social indicators as school enrollment and immunization rates, problems in health and education still are among the most severe challenges the Bank and its borrowing members face. The UNDP places African countries in 19 of the 20 lowest-ranking positions in the world on its index of human development. Fertility, maternal mortality and child mortality rates in Africa are among the highest in the world. Literacy and education rates are shockingly low in some countries, especially among girls. Moreover, Africa is suffering a brain drain, as capital and investment continue to shy away from countries which cannot guarantee a viable work force.

We should constantly remind ourselves of the basic mandate for the African Development Bank Group. We want it to focus primarily on issues of poverty reduction, investment in health, investment in education, and broadly speaking, investment in people – the underlying theme and common goal of all the Bank Group's activities.

Of central concern is the ravaging effect that the AIDS epidemic is having in Africa. We must rededicate ourselves to dealing with this multi-dimensional problem, and bring substantial ingenuity and resources to bear on its solution. Diseases such as AIDS and malaria are not only enormous human tragedies, but economic tragedies as well.

We must continue to work urgently though bilateral channels and our international institutions to deal with these pandemic diseases. On AIDS especially, it is important that the IFIs continue to help governments build capacity to cope with the challenge, while providing guidance to their own country teams to take it into account in all relevant projects.

What can we as finance officials do about AIDS? I think one thing we can do is to make sure that governments have the resources they need to take basic steps to contain its spread -- such as educating the public about its dangers. If we do not at least do this, the future economic and financial costs, in terms of lost production and health, could be overwhelming and could be upon us sooner than we may think.

Finally, in discussing choices with respect to investment in people, it is appropriate to comment on the social consequences of governments engaging in disproportionate military spending. Every nation has legitimate defense needs. Disproportionate military spending, however, not only is fiscally and socially disruptive, coming as it most often does at the expense of health and education priorities; it also is economically damaging. Moreover, it scares off productive investment and trade when it becomes symbolic of an unstable society. In a world of competition for aid, it is difficult, if not impossible, to support foreign assistance for countries that put disproportionate emphasis on military spending relative to investment in their people.

Good Governance -- A Foundation

Even if social investment priorities are correct, however, they will have little lasting benefit in countries where governance is weak and economic decisions are distorted by corruption. Governance failures and corruption exist everywhere in the world, and impose high economic and financial costs. Yet until quite recently, corruption was a politically impolite subject to raise in an international setting.

But raise it we must: the effect of corruption on emerging economies is corrosive because (1) it diverts resources from the basic tasks of public health and education, and (2) it discourages the private sector flows on which development depends.

Recently I heard a U.S. radio commentator use a colorful phrase that sums up problem rather starkly: "Corruption is eating some economies alive!" He was speaking of Central Europe at the time, but his comment could apply to a number of economies in other regions including Africa.

The former head of Hong Kong's anti-corruption agency put it well: "Where corruption is unchecked, the result is virtually the setting-up of an alternative, illicit form of government ... officials impose their own illegal rules of conduct on the public."

The question is, who would want to invest in an economy governed along these lines?

Fortunately, the African Development Bank is speaking out against corruption, and many of the participants in our meetings this week are leading efforts to improve governance in their own economies. The Bank has a role to play, and we know the key requirements:

- Clarity in laws and regulations, and fairness in their application and enforcement.
- Courts that are adequately funded and independent of political pressure.
- Strong, independent anti-corruption units in member governments.
- Privatization of state-owned enterprises.
- Reducing the scope and administrative role of governments.
- A well-supervised, competitive, financial system that operates on commercial grounds and is not subject to credit allocations based on personal or political connections.
- And finally, increased disclosure about government operations and decision making -- including audits of military operations that are reported to the civilian authorities.

Heavily Indebted Poor Countries

As we consider ways to improve Africa's economic performance, we should acknowledge that excessive indebtedness can be a barrier to public investment and growth. Helping to manage debt burdens is an area where the African Development Bank's non-regional members and the Bank itself have their separate roles to play. Each can help strengthen the prospects of a poor, heavily indebted country that is pursuing sound economic and growth policies.

Over the past two decades, the United States and other creditors have written down about

$28 billion in debts owed by the world's poorest countries.

In recent years bilateral and multilateral creditors, including this Bank, have combined forces to address debt under the Heavily Indebted Poor Countries (HIPC) initiative. So far, seven nations -- including five African countries -- have qualified for the HIPC program which raises the level of Paris Club forgiveness to 80 percent of eligible debts and provides substantial IFI debt relief for the poorest reforming economies.

Despite this progress, the Clinton Administration believes that the current pace of debt forgiveness is not adequate to achieve our common goals of economic recovery in countries committed to reform. We see a need for faster and deeper debt reduction, and President Clinton is committed to press for significant improvements in current programs at the G-7 Summit next month, even beyond those he announced in March. He has stated our goal clearly:

The more debtor nations take responsibility for pursuing sound economic policies, the more creditor nations must be willing to provide debt relief.

At the March 16 U.S.-Africa Ministerial, President Clinton first outlined his strengthened debt initiative:

Today, I ask the international community to take actions which could result in forgiving $70 billion . . . Our goal is to ensure that no country committed to fundamental reform is left with a debt burden that keeps it from meeting its peoples' basic human needs and spurring growth.

Debt relief for reforming economies is a central point in the President's Partnership for Economic Growth and Opportunity in Africa and in legislation before the U.S. Congress -- the African Growth and Opportunity Act -- to help implement that partnership. This legislation contains important provisions that will enhance Africa's access to U.S. markets, help speed U.S. investment, and broaden trade relations.

President Clinton's Initiatives in debt and economic partnership underscore America's commitment to Africa by responding to, and building on, economic reforms undertaken by Governments in Africa.

African Development Bank and Fund

U.S. financial and policy support for the African Development Bank and Fund is based on the firm expectation that these institutions can effectively and successfully address macroeconomic and structural issues, including governance and investment in people. The credit for much of the positive direction of the Bank Group belongs to President Omar Kabbaj, who is leading it in a developmental and financial renaissance.

The GCI-5 capital increase package represents a major advance in the Bank's orientation and in shareholder cooperation, and we strongly support its ratification. Ratification will make it possible for donor countries to ask their parliaments to authorize funds for both the ADB and ADF replenishments together. New financing and agreed reforms in both the Bank and the Fund are a tightly constructed and integrated package which deserves the support of all members.

I have emphasized that our continuing support for the African Development Bank Group is based on expectations of strong performance, but I want to assure Governors that we will work closely with others in support of its ambitious mandate. In the spirit of that partnership:

We call upon the Bank Group to implement fully the governance and operational reforms in the Bank Group Capital Increase and Fund Replenishment.

We call upon the Bank to conduct its operations in a manner that will restore the Bank's triple-A credit rating in the wake of agreement on the $7 billion capital infusion that will restore key financial ratios.

We urge the Bank to operate in the context of uniform MDB procurement rules and documents of the very highest standard, and we strongly encourage adoption of the proposal to add fraud and corruption provisions to procurement rules.

We seek implementation of a strong linkage under AFDF-8 between country performance and resource allocation, with credits going to countries where they will produce the most poverty reduction and economic reform.

We commend the work of Vice President Enweze and the staff of the Bank Task Force on Core Labor Standards whose recommendations, in our view, are among the most forward looking of any MDB. We support efforts to make these recommendations fully operational.

We call for the Bank's continued leadership and cooperation with other development agencies. We ask that it successfully conclude an MOU with the World Bank. We also congratulate the Bank on the Joint Africa Institute to be established in cooperation with the IMF and the World Bank.

We applaud the Bank's progressive posture on environmental issues, and we see the need for even more urgent progress in this area. We also appreciate the forward movement toward greater transparency, and urge that this trend be continued and strengthened.

Finally, we feel secure in calling for such an ambitious agenda. We are more confident at this point than at any time in the past that the Bank has the leadership, skills and policy directions it needs to address governance issues, AIDS, containment of military spending, and health and education, at the same time it addresses broad issues of economic and social development for Africa.

Conclusion

Mr. Chairman, we share your concern that the road ahead presents formidable challenges. We know that the Bank is working to make broadly based poverty reduction and economic growth a reality on this continent. We know that Africa has broad structural problems and still remains a highly closed region in many areas. We respect the severity of the challenges Africa confronts in economic reform, health, education and poverty reduction.

African countries have accomplished a great deal and so, too, has the African Development Bank Group. I do not believe that Africans will allow their hard-won advances in democracy, economic liberalization and personal opportunity to be rolled back. We are encouraged that agreed fundamentals of good governance, investment, and democracy command an increasingly broad and growing following. This backdrop sustains the United States in our determination to work alongside you for Africa's growth and development, and for Africa's children.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

R IMMEDIATE RELEASE
y 26, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

terest Rate:	5 1/4%	Issue Date:	June 01, 1999
ries:	Y-2001	Dated Date:	May 31, 1999
SIP No:	9128275H1	Maturity Date:	May 31, 2001
RIPS Minimum:	$800,000		

High Yield: 5.315% Price: 99.878

All noncompetitive and successful competitive bidders were awarded curities at the high yield. Tenders at the high yield were lotted 20%. All tenders at lower yields were accepted in full.

Accrued interest of $ 0.14344 per $1,000 must be paid for the period om May 31, 1999 to June 01, 1999.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 28,831,350	$ 13,577,150
Noncompetitive	1,436,652	1,436,652
PUBLIC SUBTOTAL	30,268,002	15,013,802 1/
Federal Reserve	3,055,890	3,055,890
Foreign Official Inst.	1,800,000	1,800,000
TOTAL	$ 35,123,892	$ 19,869,692

Median yield 5.295%: 50% of the amount of accepted competitive tenders is tendered at or below that rate. Low yield 5.234%: 5% of the amount f accepted competitive tenders was tendered at or below that rate.

id-to-Cover Ratio = 30,268,002 / 15,013,802 = 2.02

/ Awards to TREASURY DIRECT = $913,512,000

R-3177

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
May 27, 1999

TREASURY UNDER SECRETARY (ENFORCEMENT) JAMES E. JOHNSON HOUSE JUDICIARY SUBCOMMITTEE ON CRIME

Thank you Mr. Chairman, Representative Scott, and members of the Subcommittee. It is a privilege to join the Deputy Attorney General as we review the issue of firearms violence and legislative proposals that will enhance our ability to reduce it.

Today is a time to mark real progress and innovations in reducing the harm to communities caused by gun violence. It is also a harrowing time as we continue to witness violence in our streets and our schools. The violence that still takes place in many cities -- and in some of our schools -- has shown that we still have a long way to go. We simply must redouble our efforts to stop the misuse of firearms.

We've learned how to do this. Both enforcement and prevention strategies are vitally important to making our communities safer. Within this larger context, there are a series of other issues on which Americans agree: firearms and explosives should *not* be available to certain people -- not to felons, not to violent criminals, and not to unsupervised juveniles. Firearms and explosives must be bought and sold legally and responsibly. And finally, firearms must be stored safely and securely by their owners, in order to better prevent violent crime and access to guns by troubled youth and vulnerable children.

This consensus has greatly expanded in recent weeks. It is reflected by last week's Senate votes. It is also reflected in the support expressed by Congressional leaders and important segments of the firearms industry. The consensus provides ample room for agreement on sensible legislation, and we thank the Chairmen and ranking members for holding this hearing to advance our discussion of this critical issue.

Our joint statement covers these areas in greater detail. I will briefly highlight a few.

As Treasury Under Secretary, my primary focus with regard to reducing violent crime is the development and implementation of the firearms enforcement mission of the Bureau of Alcohol, Tobacco and Firearms, which is the principal federal agency enforcing the nation's

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firearms laws. ATF has the jurisdiction, expertise, and experience necessary to successfully investigate armed criminals and gun trafficking crimes. Under the leadership of Director Magaw, the dedicated men and women of ATF are providing essential and innovative contributions to the fight against violent crime.

One of ATF's greatest achievements is its partnership with state and local authorities. As the Deputy Attorney General has noted, such a partnership, which includes U.S. Attorneys and state prosecutors, has helped increase the overall number of prosecutions for gun violations over the last six years. Notable examples of this work, of course, include Richmond's Project Exile and Boston's Operation Ceasefire, both of which relied in part on the work of the ATF.

We can greatly assist the men and women in law enforcement if we provide them with tools they need to attack the illegal market in firearms that supplies criminals and juveniles who cannot legally buy guns from licensed dealers. To build on the success of the Brady law, we must do more to stop the criminal behind the criminal -- the illegal gun trafficker. Let me give you one example of the kind of trafficking I'm talking about and what ATF can do.

> In Philadelphia, during 1994 and 1995, a straw purchaser and a trafficker conspired to buy over 50 semiautomatic rifles, boxes of high powered ammunition, and accessories such as one hundred round drum magazines, high powered scopes and laser sights. Seven rifles – some connected to drug activity -- were subsequently recovered by law enforcement, and one was linked to homicides. ATF traced the majority of the recovered firearms to the straw purchaser, who had given them to a convicted felon. Together the straw purchaser and the felon sold AK-47 type rifles to persons suspected of being local drug traffickers. They sold at least one of the guns to a juvenile. The U.S. Attorney's Office in Philadelphia secured a conviction of the defendants on all counts, including firearms trafficking and possession of a firearm in a school zone.

Mr. Chairman, the Youth Gun Crime Enforcement Act of 1999, H.R. 1768, contains critical new tools for attacking the illegal gun market. It will close the gun show loophole by requiring background checks and tracing records for all gun show sales. It would restrict handgun transfers to one a month. It will require licensed dealers to assist law enforcement to trace used as well as new crime guns. It will increase the penalties on illegal gun traffickers and make it easier to prosecute straw purchasers. It will also double the size of ATF's Youth Crime Gun Interdiction Initiative launched by President Clinton in July 1996.

This program targets gun violations involving youth and juveniles. It assists local law enforcement in tracing all recovered crime guns, and identifying and arresting illegal gun traffickers and criminal users of firearms. Mr. Chairman, we are grateful for the strong support that Congress is providing to this and ATF's other firearms enforcement programs.

Adoption of these common sense measures will help law enforcement to keep guns out of the hands of criminals and unsupervised juveniles. We must do more. Eighteen and 19 year olds are a high crime age group. Indeed, ATF traces more crime guns recovered from 18 and 19 year olds than any other age group. It makes sense, therefore, to set reasonable limits on gun possession by young people. We must raise the age of eligibility to possess a handgun from 18 to 21, and prohibit those under 21 from possessing assault rifles or large capacity ammunition feeding devices.

We must also take steps to protect younger children. We should require that gun safety locks or storage devices be sold with firearms, and hold adults accountable for reckless storage resulting in a child causing death or serious bodily injury with a firearm.

Mr. Chairman, over the years I have worked closely with an undercover officer shot by drug dealers, and I have spoken to parents whose children fell victim to inner-city gun violence, recently, I visited Columbine High School and saw how a vibrant school was stopped cold by two murderers who should have never had bombs and never had guns. All victims of violent crime, and everyone threatened by it, ask all of us to do all we can to prevent more loss. We are requesting more agents and continuing to develop strategies to enhance our enforcement efforts. We ask you to support law enforcement and help make our children safer: We urge you to pass HR 1768.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:00 P.M. EDT
Remarks as Prepared for Delivery
May 27, 1999

**INTER-AMERICAN DEVELOPMENT BANK
ALTERNATE U.S. EXECUTIVE DIRECTOR LAWRENCE HARRINGTON
NOMINATION TO BE
THE INTER-AMERICAN DEVELOPMENT BANK U.S. EXECUTIVE DIRECTOR
SENATE FOREIGN RELATIONS COMMITTEE**

Mr. Chairman, Mr. Ranking Member, and Members of the Committee, it is a great honor to have my nomination considered by this Committee for the second time in just four years. I certainly want to thank my fellow Tennesseans, Senator Fred Thompson and Senator Bill Frist for their courtesy and assistance throughout. I will keep my comments brief and look forward to any questions you may have.

For the past four years, I have been privileged to serve as the Alternate Executive Director of the Inter-American Development Bank, the oldest and largest regional multilateral development institution. During this time, I have seen firsthand the role the Bank plays as a catalyst for investment and for the role it can play in furthering U.S. policy objectives in the region. For the last five consecutive years, the Bank has been the region's principal source of multilateral credit for the economies of Latin America and the Caribbean, playing a pivotal role in efforts to alleviate poverty and increase productivity, build infrastructure, protect the environment, reform and restructure antiquated public institutions, and support the private sector. In 1998, faced with global economic challenges and catastrophic natural disasters, the Bank responded with record lending of $10 billion and record disbursements on approved loans of $6.6 billion. The Bank's prompt action to coordinate Hurricane Mitch reconstruction efforts and to promote financial stability demonstrates the institution's importance to U.S. interests.

Of course, numbers alone do not tell the full story. In the years I have served at the IDB, the office of the U.S. Director has worked closely with the Treasury Department to help ensure that the objectives of the 1994 Eighth Replenishment are met and all voice and vote requirements are complied with. We have strongly supported Bank lending aimed at reducing poverty and

RR-3179

increasing the efficiency and effectiveness of social sector lending. With our consistent support, the Bank adopted a policy on involuntary resettlement that mandates careful safeguards in projects to avoid impoverishment of affected populations. We have encouraged the Bank to mainstream practices which protect the environment and conserve the natural resources. As a member of the Board I have led efforts to ensure that Bank lending for natural disasters requires countries to put in place plans for prevention and emergency response.

While the last decade brought economic reforms and democracy to the region, many governments have been plagued by inexperience, inefficiency and corruption. The Bank has provided significant support for modernization of the state and institutional reforms in such areas as the judiciary, public administration and local government. In 1998, 20 operations totaling $1.3 billion were approved in these areas. The IDB chaired the Consultative Group in support of drug control in Peru and has supported lending for alternative development projects in close coordination with the U.S. and other donors, clearly a high priority in terms of U.S. policy interests.

With our strong support the IDB Board adopted amendments to its policy governing procurement under Bank projects that provide for disclosures, remedies and penalties if corruption is uncovered in Bank funded procurement of goods and services. In Central America the Bank is supporting efforts, in close coordination with USAID, to maximize the integrity and transparency of reconstruction efforts underway in the wake of Hurricane Mitch. On a regional basis, the Bank has approved a regional grant with the OAS B to promote ratification and full implementation of the Inter-American Convention Against Corruption. There are other Bank funded efforts underway to strengthen controllers' offices and combat asset laundering. I have urged senior Bank officials and my colleagues to openly discuss the effects of corruption on the economic and social development of the borrowing countries and to address explicitly the measures needed to combat it.

Of course, economic development in Latin America and the Caribbean does not ultimately depend on resources from the IDB or any other public source, but from private capital, both foreign and domestic. Recognition of the primacy of the private sector has led to large-scale privatization throughout the region. Since 1995 under the Eighth Replenishment, the Bank has provided $2.8 billion in loans and guarantees to private sector infrastructure projects in support of privatization programs. The U.S. Director's office carefully scrutinizes each project to ensure that it is sufficiently catalytic -- that it is mobilizing private sector investment that would otherwise not materialize and that the Bank's participation serves larger development goals. Recent agreements among the Governors will permit gradual expansion of this program, and careful monitoring of these objectives by the U.S. Director will be critical.

The IDB Bank Group includes the Inter-American Investment Corporation (IIC). The IIC is unique in its mandate to promote private sector development by financing small and medium sized enterprise (SMEs) in Latin America and the Caribbean. Through direct loans and equity investments in these enterprises, as well as through lending to private local banks, the IIC helps such enterprises to access the capital necessary to start up, expand, or modernize their operations.

Simultaneously, the IIC transfers "lessons learned" from its own experience to help borrowers create an appropriate enabling environment for the business community.

The United States has conditioned its participation in a general capital increase on the adoption of changes in IIC policy actions in a number of areas, including adoption of measures on worker rights, the environment, an inspection panel function, public disclosure, and evaluation. As a result, the IIC now has adopted some of the most progressive and rigorous policies on these issues of any of the multilateral institutions that help finance private sector activities. We have also pushed for a strategic focus in areas where there is the highest developmental impact, such as in the economies in Central America damaged by Hurricane Mitch. The U.S. Director of the Corporation must continue to focus on implementation of these policies.

The U.S. Director of the Bank is also a member of the Donors Committee of the Multilateral Investment Fund, primarily a grant-making institution with the mission of promoting private sector growth. With U.S. support the MIF, as it is known, has promoted development of capital markets and worker training, as well as the legal and regulatory reforms that are an essential framework for private sector investment. The MIF is an innovative tool for development because its primary focus is the forging of partnerships between the private sector and civil society. It is our goal to continue to support innovative MIF projects that not only promote investment but also strengthen principles of entrepreneurship and non-governmental responses to challenges facing the region.

The U.S. Director's office also works closely with the U.S. private sector and voluntary organizations to help them find procurement opportunities or other work on Bank funded projects. Last year, for the ninth year in a row, the U.S. remained the largest beneficiary of IDB disbursements of all non-borrowing members. The U.S. Director's office has an extensive program of outreach to U.S. business.

Of course, as representative of the largest shareholder, the U.S. Director must constantly uphold the Director's fiduciary duty to the shareholders of the institution, ultimately the U.S. taxpayers. The financial soundness of the institution is paramount. Under U.S. leadership, the Board of Governors recently concluded a historic agreement that mobilizes $7.5 billion for the Fund for Special Operations, the Bank's concessional window -- at no cost to the U.S. taxpayer, which provides loans to the poorest countries in the region. Prudent financial policies, adherence to a conservative capital structure and strong support by member countries are key to the Bank's AAA rating which it has maintained since it was established 40 years ago. The Director must work to ensure that the Bank's administrative budget is properly managed and that the institution's policies governing human resources are up to date, reflecting both equity and the highest standards of performance in the workplace.

Mr. Chairman, distinguished members of the Committee, U.S. leadership in the Inter-American Development Bank is an essential element of our traditional ties and commitment to the region. If confirmed by the Senate, I look forward to continuing to exercise this leadership on behalf of goals that should guide our relationships in this Hemisphere: sustained commitment to a sound macroeconomic foundation and regional integration; stronger, more transparent financial systems with the legal and regulatory underpinnings essential to promote investment; social safety nets and other protections from economic volatility; and strengthened democracies based on inclusion, and common values of transparency and prosperity.

Thank you. I look forward to your questions.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
May 27, 1999

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million to refund $15,572 million of publicly held securities maturing June 3, 1999, and to pay down about $572 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $8,015 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $2,437 million held by Federal Reserve Banks as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the highest discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $923 million into the 13-week bill and $734 million into the 26-week bill.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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RR-3180

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS TO BE ISSUED JUNE 3, 1999

May 27, 1999

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 CM 1	912795 CX 7
Auction date	June 1, 1999	June 1, 1999
Issue date	June 3, 1999	June 3, 1999
Maturity date	September 2, 1999	December 2, 1999
Original issue date	March 4, 1999	June 3, 1999
Currently outstanding	$11,517 million	---
Minimum bid amount and multiples	$1,000	$1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids .... Accepted in full up to $1,000,000 at the highest discount rate of accepted competitive bids.

Competitive bids .... (1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 7.100%, 7.105%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $1 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield .... 35% of public offering

Maximum Award .... 35% of public offering

Receipt of Tenders:

Noncompetitive tenders ...... Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders .... Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

'OR IMMEDIATE RELEASE
lay 27, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 14-DAY BILLS

Term:	14-Day Bill
Issue Date:	June 01, 1999
Maturity Date:	June 15, 1999
CUSIP Number:	912795GV7

High Rate: 4.73 % Investment Rate 1/: 4.82 % Price: 99.816

All noncompetitive and successful competitive bidders were awarded ecurities at the high rate. Tenders at the high discount rate were llotted 69%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 39,755,000	$ 11,029,000
Noncompetitive	682	682
TOTAL	$ 39,755,682	$ 11,029,682

Median rate 4.70 %: 50% of the amount of accepted competitive tenders ıs tendered at or below that rate. Low rate 4.60 %: 5% of the amount accepted competitive tenders was tendered at or below that rate.

.d-to-Cover Ratio = 39,755,682 / 11,029,682 = 3.60

Equivalent coupon-issue yield.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 11:00 A.M.
June 1, 1999

Contact: Office of Financing
202/691-3550

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $20,000 million of 12-day Treasury cash management bills to be issued June 3, 1999.

Competitive and noncompetitive tenders will be received at all 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 (*TreasuryDirect*). Tenders will not be received at the Bureau of the Public Debt, Washington, D.C.

Additional amounts of the bills may be issued to Federal Reserve Banks as agents for foreign and international monetary authorities at the highest discount rate of accepted competitive tenders.

The auction being announced today will be conducted in the single-price auction format. All competitive and noncompetitive awards will be at the highest discount rate of accepted competitive tenders.

This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

NOTE: Competitive bids in cash management bill auctions must be expressed as a discount rate with two decimals, e.g., 7.10%.

Details about the new security are given in the attached offering highlights.

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Attachment

RR-3182

HIGHLIGHTS OF TREASURY OFFERING
OF 12-DAY CASH MANAGEMENT BILL

June 1, 1999

<u>Offering Amount</u> .... $20,000 million

<u>Description of Offering</u>:

Term and type of security	12-day Cash Management Bill
CUSIP number	912795 GV 7
Auction date	June 2, 1999
Issue date	June 3, 1999
Maturity date	June 15, 1999
Original issue date	June 1, 1999
Currently outstanding	$11,030 million
Minimum bid amount and multiples ...	$1,000

<u>Submission of Bids</u>:

Noncompetitive bids .... Accepted in full up to $1,000,000 at the highest accepted discount rate.

Competitive bids .... (1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.

(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $1 billion or greater.

(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

<u>Maximum Recognized Bid at a Single Yield</u> .... 35% of public offering

<u>Maximum Award</u> .... 35% of public offering

<u>Receipt of Tenders</u>:

Noncompetitive tenders ..... Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders .... Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

<u>Payment Terms</u> .... By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Weekly Release of U.S. Reserve Assets

June 1, 1999

The Treasury Department today released U.S. reserve assets data for the week ending May 28, 1999.

As indicated in this table, U.S. reserve assets totaled $72,137 million as of May 28, 1999, up from $71,967 million as of May 21, 1999.

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

1999 Week Ending	Total Reserve Assets	Gold Stock [1/]	Special Drawing Rights [2/]	Foreign Currencies [3/] ESF	Foreign Currencies [3/] SOMA	Reserve Position in IMF [2/]
May 21, 1999	**71,967**	11,049	9,787	14,711	14,710	21,710
May 28, 1999	**72,137**	11,049	*9,784*	14,799	14,800	*21,705*

1/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of April 30, 1999. The March 31, 1999 value was $11,049 million.

2/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official SDR/dollar exchange rate. Consistent with current reporting practices, IMF data for May 21, 1999 are final. Data for SDR holdings and the reserve position in the IMF shown as of May 28, 1999 (in italics) reflect preliminary adjustments by the Treasury to the May 21, 1999 IMF data.

3/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

RR-3183

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

)R IMMEDIATE RELEASE
me 01, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	June 03, 1999
Maturity Date:	September 02, 1999
CUSIP Number:	912795CM1

High Rate: 4.620% Investment Rate 1/: 4.753% Price: 98.832

All noncompetitive and successful competitive bidders were awarded curities at the high rate. Tenders at the high discount rate were lotted 50%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,474,498	$ 6,051,998
Noncompetitive	1,358,677	1,358,677
PUBLIC SUBTOTAL	21,833,175	7,410,675 2/
Foreign Official Refunded	108,922	108,922
SUBTOTAL	21,942,097	7,519,597
Federal Reserve	4,074,955	4,074,955
Foreign Official Add-On	9,578	9,578
TOTAL	$ 26,026,630	$ 11,604,130

Median rate 4.600%: 50% of the amount of accepted competitive tenders ; tendered at or below that rate. Low rate 4.530%: 5% of the amount accepted competitive tenders was tendered at or below that rate.

l-to-Cover Ratio = 21,833,175 / 7,410,675 = 2.95

Equivalent coupon-issue yield.
Awards to TREASURY DIRECT = $1,010,194,000

-3184

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

R IMMEDIATE RELEASE
ne 01, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	June 03, 1999
Maturity Date:	December 02, 1999
CUSIP Number:	912795CX7

High Rate: 4.750% Investment Rate 1/: 4.947% Price: 97.599

All noncompetitive and successful competitive bidders were awarded :urities at the high rate. Tenders at the high discount rate were .otted 43%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted	
Competitive	$ 17,515,152	$ 4,110,052	
Noncompetitive	1,069,606	1,069,606	
PUBLIC SUBTOTAL	18,584,758	5,179,658	2/
Foreign Official Refunded	2,327,809	2,327,809	
SUBTOTAL	20,912,567	7,507,467	
Federal Reserve	3,940,000	3,940,000	
Foreign Official Add-On	203,091	203,091	
TOTAL	$ 25,055,658	$ 11,650,558	

Median rate 4.735%: 50% of the amount of accepted competitive tenders tendered at or below that rate. Low rate 4.630%: 5% of the amount ccepted competitive tenders was tendered at or below that rate.

·to-Cover Ratio = 18,584,758 / 5,179,658 = 3.59

quivalent coupon-issue yield.
wards to TREASURY DIRECT = $797,729,000

R-3185

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

'OR IMMEDIATE RELEASE
une 02, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 12-DAY BILLS

Term:	12-Day Bill
Issue Date:	June 03, 1999
Maturity Date:	June 15, 1999
CUSIP Number:	912795GV7

High Rate: 4.70 %   Investment Rate 1/: 4.80 %   Price: 99.843

All noncompetitive and successful competitive bidders were awarded ecurities at the high rate. Tenders at the high discount rate were llotted 46%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 64,868,000	$ 20,005,100
Noncompetitive	1,750	1,750
TOTAL	$ 64,869,750	$ 20,006,850

Median rate 4.68 %: 50% of the amount of accepted competitive tenders as tendered at or below that rate. Low rate 4.62 %: 5% of the amount f accepted competitive tenders was tendered at or below that rate.

id-to-Cover Ratio = 64,869,750 / 20,006,850 = 3.24

' Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

RR-3186

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
June 3, 1999

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million to refund $16,297 million of publicly held securities maturing June 10, 1999, and to pay down about $1,297 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $7,857 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $2,712 million held by Federal Reserve Banks as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the highest discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $893 million into the 13-week bill and $698 million into the 26-week bill.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

oOo

Attachment

RR-3188

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED JUNE 10, 1999

June 3, 1999

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 CN 9	912795 CE 9
Auction date	June 7, 1999	June 7, 1999
Issue date	June 10, 1999	June 10, 1999
Maturity date	September 9, 1999	December 9, 1999
Original issue date	March 11, 1999	December 10, 1998
Currently outstanding	$11,598 million	$16,369 million
Minimum bid amount and multiples	$1,000	$1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids .... Accepted in full up to $1,000,000 at the highest discount rate of accepted competitive bids.

Competitive bids .... (1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 7.100%, 7.105%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $1 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield .... 35% of public offering

Maximum Award.................... 35% of public offering

Receipt of Tenders:

Noncompetitive tenders ...... Prior to 12:00 noon Eastern Daylight Saving time on auction day
Competitive tenders .... Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

PUBLIC DEBT NEWS

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

FOR RELEASE AT 3:00 PM
June 4, 1999

Contact: Peter Hollenbach
(202) 691-3510

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR MAY 1999

The Bureau of the Public Debt announced activity figures for the month of May 1999, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$1,750,738,523
Held in Unstripped Form	$1,530,702,404
Held in Stripped Form	$220,036,119
Reconstituted in May	$12,547,160

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."

The Strips Table along with the new Monthly Statement of the Public Debt is available on Public Debt's Internet homepage at: **www.publicdebt.treas.gov**. A wide range of information about Public Debt and Treasury Securities is also available on the homepage.

oOo

RR-3189

TABLE V - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, MAY 31, 1999

Loan Description			Corpus STRIP CUSIP	Maturity Date	Principal Amount Outstanding in Thousands			Reconstituted This Month
					Total Outstanding	Portion Held in Unstripped Form	Portion Held in Stripped Form	
Treasury Bonds								
CUSIP:		Interest Rate:						
912810 DM7		11-5/8	912803 AB9	11/15/04	8,301,806	4,247,406	4,054,400	180,800
DQ8		12	AD5	05/15/05	4,260,758	1,997,608	2,263,150	0
DR6		10-3/4	AG8	08/15/05	9,269,713	5,984,913	3,284,800	17,600
DU9		9-3/8	AJ2	02/15/06	4,755,916	4,747,980	7,936	0
DN5		11-3/4	912800 AA7	11/15/14	6,005,584	2,680,784	3,324,800	57,600
DP0		11-1/4	912803 AA1	02/15/15	12,667,799	10,535,319	2,132,480	470,880
DS4		10-5/8	AC7	08/15/15	7,149,916	6,618,716	531,200	72,000
DT2		9-7/8	AE3	11/15/15	6,899,859	3,824,659	3,075,200	352,000
DV7		9-1/4	AF0	02/15/16	7,266,854	7,038,854	228,000	107,200
DW5		7-1/4	AH6	05/15/16	18,823,551	18,187,551	636,000	408,800
DX3		7-1/2	AK9	11/15/16	18,864,448	17,818,288	1,046,160	159,600
DY1		8-3/4	AL7	05/15/17	18,194,169	10,135,929	8,058,240	858,400
DZ8		8-7/8	AM5	08/15/17	14,016,858	10,432,858	3,584,000	302,400
EA2		9-1/8	AN3	05/15/18	8,708,639	3,291,039	5,417,600	179,200
EB0		9	AP8	11/15/18	9,032,870	2,707,870	6,325,000	306,400
EC8		8-7/8	AQ6	02/15/19	19,250,798	7,485,998	11,764,800	1,268,800
ED6		8-1/8	AR4	08/15/19	20,213,832	19,274,632	939,200	206,720
EE4		8-1/2	AS2	02/15/20	10,228,868	7,508,468	2,720,400	407,200
EF1		8-3/4	AT0	05/15/20	10,158,883	2,969,763	7,189,120	389,920
EG9		8-3/4	AU7	08/15/20	21,418,606	6,250,126	15,168,480	605,920
EH7		7-7/8	AV5	02/15/21	11,113,373	10,238,173	875,200	78,400
EJ3		8-1/8	AW3	05/15/21	11,958,888	7,026,408	4,932,480	283,840
EK0		8-1/8	AX1	08/15/21	12,163,482	9,537,242	2,626,240	353,920
EL8		8	AY9	11/15/21	32,798,394	13,584,594	19,213,800	1,277,400
EM6		7-1/4	AZ6	08/15/22	10,352,790	8,567,990	1,784,800	204,000
EN4		7-5/8	BA0	11/15/22	10,699,626	3,114,026	7,585,600	126,400
EP9		7-1/8	BB8	02/15/23	18,374,361	11,523,161	6,851,200	500,800
EQ7		6-1/4	BC6	08/15/23	22,909,044	18,768,148	4,140,896	328,800
ES3		7-1/2	BD4	11/15/24	11,469,662	3,285,982	8,183,680	227,200
ET1		7-5/8	BE2	02/15/25	11,725,170	2,784,370	8,940,800	204,800
EV6		6-7/8	BF9	08/15/25	12,602,007	8,483,287	4,118,720	264,960
EW4		6	BG7	02/15/26	12,904,916	12,202,916	702,000	130,500
EX2		6-3/4	BH5	08/15/26	10,893,818	7,523,418	3,370,400	104,800
EY0		6-1/2	BJ1	11/15/26	11,493,177	7,942,777	3,550,400	308,400
EZ7		6-5/8	BK8	02/15/27	10,456,071	6,996,871	3,459,200	268,800
FA1		6-3/8	BL6	08/15/27	10,735,756	10,081,356	654,400	203,200
FB9		6-1/8	BM4	11/15/27	22,518,539	20,128,139	2,390,400	270,400
FE3		5-1/2	BP7	08/15/28	11,776,201	11,757,001	19,200	0
FF0		5-1/4	BV4	11/15/28	10,947,052	10,944,652	2,400	0
FG8		5-1/4	BW2	02/15/29	11,350,346	11,350,346	0	0
Total Treasury Bonds					514,732,400	349,579,618	165,152,782	11,488,060
Treasury Inflation-Indexed Notes:								
CUSIP:	Series	Interest Rate						
912827 3A8	J	3-5/8	912820 BZ9	07/15/02	17,324,399	17,324,399	0	0
2M3	A	3-3/8	BV8	01/15/07	16,409,248	16,409,248	0	0
3T7	A	3-5/8	CL9	01/15/08	17,168,459	17,168,459	0	0
4Y5	A	3-7/8	DN4	01/15/09	8,583,481	8,583,481	0	0
Total Inflation-Indexed Notes					59,485,587	59,485,587	0	0
Treasury Inflation-Indexed Bonds:								
CUSIP:		Interest Rate:						
912810 FD5		3-5/8	912803 BN2	04/15/28	17,145,656	17,145,656	0	0
FH6		3-7/8	CF8	04/15/29	7,377,408	7,377,408	0	0
Total Inflation-Indexed Bonds					24,523,064	24,523,064	0	0

Loan Description			Corpus STRIP CUSIP	Maturity Date	Principal Amount Outstanding in Thousands			Reconstituted This Month
					Total Outstanding	Portion Held in Unstripped Form	Portion Held in Stripped Form	
Treasury Notes								
CUSIP	Series	Interest Rate						
912827 XW7	C	8	912820 AT4	08/15/99	10,163,644	5,383,744	4,779,900	52,800
3H3	AK	5-3/4	CB1	09/30/99	17,487,287	17,269,687	217,600	0
3K6	AL	5-5/8	CD7	10/31/99	16,823,947	16,604,747	219,200	0
YE6	D	7-7/8	AU1	11/15/99	10,773,960	5,753,160	5,020,800	72,000
3P5	AM	5-5/8	CG0	11/30/99	17,051,198	16,865,598	185,600	0
3R1	AN	5-5/8	CJ4	12/31/99	16,747,06	16,647,860	99,200	0
3U4	Y	5-3/8	CM7	01/31/00	17,502,026	17,502,026	0	0
YN6	A	8-1/2	AV9	02/15/00	10,673,033	6,931,833	3,741,200	62,800
3Y6	Z	5-1/2	CR6	02/29/00	17,776,125	17,776,125	0	0
4A7	AB	5-1/2	CT2	03/31/00	17,206,376	17,203,576	2,800	0
4C3	AC	5-5/8	CV7	04/30/00	15,633,855	15,630,655	3,200	0
YW6	B	8-7/8	AW7	05/15/00	10,496,230	4,902,630	5,593,600	171,200
4G4	AD	5-1/2	CZ8	05/31/00	16,580,032	16,326,432	253,600	0
4J8	AE	5-3/8	DB0	06/30/00	14,939,057	14,671,857	267,200	0
4M1	AF	5-3/8	DD6	07/31/00	18,683,295	18,680,095	3,200	0
ZE5	C	8-3/4	AX5	08/15/00	11,080,646	6,713,286	4,367,360	72,960
4Q2	AG	5-1/8	DF1	08/31/00	20,028,533	20,023,733	4,800	0
4R0	AH	4-1/2	DG9	09/30/00	19,268,508	19,268,508	0	0
4T6	AJ	4	DH7	10/31/00	20,524,986	20,496,986	28,000	0
ZN5	D	8-1/2	AY3	11/15/00	11,519,682	6,708,082	4,811,600	0
3M2	X	5-3/4	CF2	11/15/00	16,036,088	16,036,088	0	0
4W9	AK	4-5/8	DL8	11/30/00	20,157,568	20,157,568	0	0
4X7	AL	4-5/8	DM6	12/31/00	19,474,772	19,474,772	0	0
4Z2	U	4-1/2	DP9	01/31/01	19,777,278	19,777,278	0	0
ZX3	A	7-3/4	AZ0	02/15/01	11,312,802	7,780,002	3,532,800	105,600
3W0	S	5-3/8	CP0	02/15/01	15,367,153	15,367,153	0	0
5C2	V	5	DR5	02/28/01	19,586,630	19,586,630	0	0
5D0	W	4-7/8	DS3	03/31/01	21,605,352	21,605,352	0	0
5E8	X	5	DT1	04/30/01	21,033,523	21,033,523	0	0
A85	B	8	BA4	05/15/01	12,398,083	8,320,758	4,077,325	2,300
4E9	T	5-5/8	CX3	05/15/01	12,873,752	12,873,752	0	0
B92	C	7-7/8	BB2	08/15/01	12,339,185	9,167,985	3,171,200	12,800
D25	D	7-1/2	BC0	11/15/01	24,226,102	19,388,182	4,837,920	246,800
F49	A	7-1/2	BD8	05/15/02	11,714,397	8,066,397	3,648,000	72,640
G55	B	6-3/8	BE6	08/15/02	23,859,015	22,079,815	1,779,200	32,000
3J9	M	5-7/8	CC9	09/30/02	12,806,814	12,771,614	35,200	0
3L4	N	5-3/4	CE5	10/31/02	11,737,284	11,675,684	61,600	0
3Q3	P	5-3/4	CH8	11/30/02	12,120,580	11,919,780	200,800	0
3S9	Q	5-5/8	CK1	12/31/02	12,052,433	12,052,433	0	0
3V2	C	5-1/2	CN5	01/31/03	13,100,640	13,100,640	0	0
J78	A	6-1/4	BF3	02/15/03	23,562,691	22,158,563	1,404,128	0
3Z3	D	5-1/2	CS4	02/28/03	13,670,354	13,626,354	44,000	0
4B5	E	5-1/2	CU9	03/31/03	14,172,892	14,172,892	0	0
4D1	F	5-3/4	CW5	04/30/03	12,573,248	12,573,248	0	0
4H2	G	5-1/2	DA2	05/31/03	13,132,243	13,132,243	0	0
4K5	H	5-3/8	DC8	06/30/03	13,126,779	13,126,779	0	0
L83	B	5-3/4	BG1	08/15/03	28,011,028	27,143,828	867,200	55,200
4N9	J	5-1/4	DE4	08/15/03	19,852,263	19,852,263	0	0
4U3	K	4-1/4	DJ3	11/15/03	18,625,785	18,524,985	100,800	0
N81	A	5-7/8	BH9	02/15/04	12,955,077	12,675,077	280,000	0
5A6	E	4-3/4	DQ7	02/15/04	17,823,223	17,823,223	0	0
P89	B	7-1/4	BJ5	05/15/04	14,440,372	14,273,172	167,200	100,000
5F5	F	5-1/4	DU8	05/15/04	18,925,443	18,925,443	0	0
Q88	C	7-1/4	BK2	08/15/04	13,346,467	12,435,267	911,200	0
R87	D	7-7/8	BL0	11/15/04	14,373,760	14,373,760	0	0
S86	A	7-1/2	BM8	02/15/05	13,834,754	13,806,994	27,760	0
T85	B	6-1/2	BN6	05/15/05	14,739,504	14,739,504	0	0
U83	C	6-1/2	BP1	08/15/05	15,002,580	15,002,580	0	0
V82	D	5-7/8	BQ9	11/15/05	15,209,920	15,205,120	4,800	0
W81	A	5-5/8	BR7	02/15/06	15,513,587	15,509,427	4,160	0
X80	B	6-7/8	BS5	05/15/06	16,015,475	16,015,475	0	0
Y55	C	7	BT3	07/15/06	22,740,446	22,740,446	0	0
Z62	D	6-1/2	BU0	10/15/06	22,459,675	22,459,675	0	0
2J0	B	6-1/4	BW6	02/15/07	13,103,678	13,035,294	68,384	0
2U5	C	6-5/8	BX4	05/15/07	13,958,186	13,924,586	33,600	0
3E0	D	6-1/8	CA3	08/15/07	25,636,803	25,609,603	27,200	0
3X8	B	5-1/2	CQ8	02/15/08	13,583,412	13,583,412	0	0
4F6	C	5-5/8	CY1	05/15/08	27,190,961	27,190,961	0	0
4V1	D	4-3/4	DK0	11/15/08	25,083,125	25,083,125	0	0
5G3	E	5-1/2	DV6	05/15/09	14,794,810	14,794,810	0	0
Total Treasury Notes					1,151,997,472	1,097,114,135	54,883,337	1,059,100
Grand Total					1,750,738,523	1,530,702,404	220,036,119	12,547,160

Note: On the 4th workday of each month Table V will be available after 3:00 p.m. eastern time on the Commerce Economic Bulletin Board (EBB) and the Bureau of the Public Debt's website at http://www.publicdebt.treas.gov. For more information about EBB, call (202) 482-1966. The balances in this table are subject to audit and subsequent adjustments.

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

OR IMMEDIATE RELEASE
une 07, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	June 10, 1999
Maturity Date:	September 09, 1999
CUSIP Number:	912795CN9

High Rate: 4.510% Investment Rate 1/: 4.638% Price: 98.860

All noncompetitive and successful competitive bidders were awarded curities at the high rate. Tenders at the high discount rate were lotted 35%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 27,063,802	$ 5,950,052
Noncompetitive	1,299,548	1,299,548
PUBLIC SUBTOTAL	28,363,350	7,249,600 2/
Foreign Official Refunded	267,946	267,946
SUBTOTAL	28,631,296	7,517,546
Federal Reserve	4,036,780	4,036,780
Foreign Official Add-On	17,054	17,054
TOTAL	$ 32,685,130	$ 11,571,380

Median rate 4.500%: 50% of the amount of accepted competitive tenders tendered at or below that rate. Low rate 4.410%: 5% of the amount accepted competitive tenders was tendered at or below that rate.

-to-Cover Ratio = 28,363,350 / 7,249,600 = 3.91

Equivalent coupon-issue yield.
Awards to TREASURY DIRECT = $976,576,000

RR-3190

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

OR IMMEDIATE RELEASE
une 07, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	June 10, 1999
Maturity Date:	December 09, 1999
CUSIP Number:	912795CE9

High Rate: 4.760% Investment Rate 1/: 4.958% Price: 97.594

All noncompetitive and successful competitive bidders were awarded
ecurities at the high rate. Tenders at the high discount rate were
llotted 91%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 18,997,200	$ 3,979,200
Noncompetitive	1,082,279	1,082,279
PUBLIC SUBTOTAL	20,079,479	5,061,479 2/
Foreign Official Refunded	2,444,054	2,444,054
SUBTOTAL	22,523,533	7,505,533
Federal Reserve	3,820,000	3,820,000
Foreign Official Add-On	155,946	155,946
TOTAL	$ 26,499,479	$ 11,481,479

Median rate 4.750%: 50% of the amount of accepted competitive tenders
s tendered at or below that rate. Low rate 4.690%: 5% of the amount
accepted competitive tenders was tendered at or below that rate.

l-to-Cover Ratio = 20,079,479 / 5,061,479 = 3.97

Equivalent coupon-issue yield.
Awards to TREASURY DIRECT = $765,544,000

http://www.publicdebt.treas.gov

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
June 8, 1999

Contact: Dan Israel
(202) 622-2960

TREASURY NAMES MORE FRONTS OF COLOMBIAN DRUG CARTELS

The Treasury Department on Monday added 41 businesses and eight individuals to its list of Specially Designated Narcotics Traffickers (SDNTs), a list designated for economic sanctions against Colombian drug cartels.

Treasury's Office of Foreign Assets Control (OFAC) has determined that these 49 new SDNTs are acting as fronts for the Cali and North Coast cartels. Among the notable drug cartel owned or controlled businesses on the list is the *América* soccer team, determined to be owned or controlled by Cali cartel leader Miguel Rodriguez Orejuela and other named SDNTs. Other named drug cartel owned or controlled businesses include several pharmaceutical and drug companies, a radio broadcasting company, as well as investment, construction and real estate firms.

"Today's action sends a clear message that we will not allow corporate sleight-of-hand to enable the cartels to profit by using the U.S. financial system and by engaging in American business transactions," said James E. Johnson, Treasury Under Secretary for Enforcement. "This list of companies shows the extent to which narcotics traffickers' illicit proceeds have infiltrated various commercial sectors as the traffickers attempt to legitimize their drug profits."

This action is part of the ongoing interagency effort of the Treasury, Justice and State Departments to carry out President Clinton's Executive Order 12978, signed on October 21, 1995, which applies economic sanctions against the Colombian drug cartels. With the addition of names released today, a total of 496 businesses and individuals whose assets are blocked under the 1995 Executive Order are also prohibited from American financial and business dealings.

The list of SDNTs includes the four Cali cartel drug kingpins named in the Executive Order, North Coast narcotics trafficker Julio Cesar Nasser David, and 491 other SDNTs that have been determined to be owned or controlled by, or to act for or on behalf of, persons designated in or pursuant to the Order.

RR-3192

Nine of the newly designated companies are successors or "transformers," using new company names to firms previously designated as SDNTs because they were owned or controlled by the kingpins or agents of the cartels. A total of 27 transformer companies have been named as SDNTs to date. The U.S. Government will continue to identify businesses owned or controlled by drug cartels and expand the SDNT list to include additional Colombian drug trafficking organizations.

The list of businesses and individuals named by Treasury today as SDNTs is attached and available at www.ustreas.gov/ofac. The list will be published in the Federal Register at a later date.

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ENTITIES:

1. **ADMACOOP,**
(a.k.a. COOPERATIVA MULTIACTIVA DE ADMINISTRACION Y MANEJO ADMACOOP),
Calle 12B No. 28-58, Bogota, Colombia;
Carrera 28A No. 14-29, Bogota, Colombia;
NIT # 830030933-6 (Colombia)

2. **ALKALA ASOCIADOS S.A.,**
(f.k.a. INVHERESA S.A.),
Calle 1A No. 62A-130, Cali, Colombia;
Calle 1A No. 62A-120, Cali, Colombia;
Avenida 2N No. 7N-55 of. 501, Cali, Colombia;
Calle 70N No. 14-31, Cali, Colombia;
NIT # 800108121-0 (Colombia)

3. **BONOMERCAD S.A.,**
(f.k.a. DECACOOP S.A.),
Transversal 29 No. 39-92, Bogota, Colombia;
NIT # 830018919-3 (Colombia)

4. **C.N.A. PUBLICIDAD LTDA.,**
Calle 74 No. 53-30, Barranquilla, Colombia;
NIT # 802002664-9 (Colombia)

5. **CAMPO VERDE LTDA.,**
Carrera 54 No. 75-97 piso 2, Barranquilla, Colombia;
NIT # 800204479-2 (Colombia)

6. **CLAUDIA PILAR RODRIGUEZ Y CIA. S.C.S.,**
Calle 17A No. 28A-43, Bogota, Colombia;
NIT # 830007201-7 (Colombia)

7. **COLOMBIANA DE CERDOS LTDA.,**
(a.k.a. COLCERDOS LTDA.),
Km. 3 Via Marsella Parque Industrial, Pereira, Colombia;
Apartado Aereo 3786, Pereira, Colombia;
NIT # 800018928-0 (Colombia)

8. **COMERCIALIZACION Y FINANCIACION DE AUTOMOTORES S.A.,**
(a.k.a. COMFIAUTOS S.A.),
Carrera 4 No. 11-33 of. 303, Cali, Colombia;
Avenida 2N No. 7N-55 of. 609, Cali, Colombia;
NIT # 800086115-1 (Colombia)

9. COMPAÑIA ADMINISTRADORA DE VIVIENDA S.A.,
(f.k.a. INVERSIONES GEMINIS S.A.),
Carrera 40 No. 6-24 of. 402B, Cali, Colombia;
Carrera 41 No. 6-15/35, Cali, Colombia;
NIT # 800032419-1 (Colombia)

10. CONSTRUCCIONES COLOMBO-ANDINAS LTDA.,
Carrera 8 No. 16-79 of. 504, Bogota, Colombia;
Calle 29 No. 36-61, Bogota, Colombia;
NIT # 860505252-8 (Colombia)

11. CONSTRUCTORA EL NOGAL S.A.,
(f.k.a. CONSTRUEXITO S.A., f.k.a. CONE S.A.),
Avenida 2N No. 7N-55 of. 501, Cali, Colombia;
Calle 2A No. 65A-110, apto. 501 B3, Cali, Colombia;
NIT # 800051378-9 (Colombia)

12. CORPORACION DEPORTIVA AMERICA,
(a.k.a. CLUB DEPORTIVO AMERICA),
(a.k.a. CLUB AMERICA DE CALI),
Carrera 56 No. 2-70, Cali, Colombia;
Avenida Guadalupe No. 2-70, Cali, Colombia;
Calle 24N No. 5BN-22, Cali, Colombia;
Calle 13 Carrera 70, Cali, Colombia;
Sede Cascajal, Cali, Colombia;
Sede Naranjal, Cali, Colombia;
NIT # 890305773-4 (Colombia)

13. D'CACHE S.A.,
Calle 25N No. 3AN-39, Cali, Colombia;
NIT # 800149284-8 (Colombia)

14. DECAFARMA S.A.,
Transversal 29 No. 39-92, Bogota, Colombia;
NIT # 800241240-7 (Colombia)

15. DISTRIBUIDORA DE ELEMENTOS PARA LA CONSTRUCCION S.A.,
(a.k.a. D'ELCON S.A.),
Carrera 23D No. 13B-59, Cali, Colombia;
NIT # 800117780-2 (Colombia)

16. FARMAHOGAR,
(a.k.a. FARMAHOGAR COPSERVIR 19),
(a.k.a. DROGUERIA FARMAHOGAR),

Carrera 7 No. 118-38, Bogota, Colombia;
Avenida 7 No. 118-46, Bogota, Colombia;
NIT # 830011670-3 (Colombia)

17. INDUSTRIAL DE GESTION DE NEGOCIOS E.U.,
Calle 5C No. 41-30, Cali, Colombia;
NIT # 805005946-5 (Colombia)

18. INVERSIONES EL GRAN CRISOL LTDA.,
(f.k.a. W. HERRERA Y CIA. S. EN C.),
Avenida 2N 7N-55 of. 501, Cali, Colombia;
Carrera 24D Oeste No. 6-237, Cali, Colombia;
NIT # 800001330-2 (Colombia)

19. INVERSIONES INTEGRAL LTDA.,
Carrera 4 No. 12-41 of. 1403, 1501 Edificio Seguros Bolivar, Cali, Colombia;
Apartado Aereo 10077, Cali, Colombia;
NIT # 800092770-9 (Colombia)

20. INVERSIONES MONDRAGON Y CIA. S.C.S.,
(f.k.a. MARIELA DE RODRIGUEZ Y CIA. S. EN C.),
Calle 12 Norte No. 9N-56/58, Cali, Colombia;
NIT # 890328152-1 (Colombia)

21. INVERSIONES NAMOS Y CIA. LTDA.,
Carrera 54 No. 75-107, Barranquilla, Colombia;
NIT # 800182475-7 (Colombia)

22. INVERSIONES Y CONSTRUCCIONES ABC S.A.,
(f.k.a. INVERSIONES CAMINO REAL S.A.),
Calle 10 No. 4-47 piso 19, Cali, Colombia;
Calle 12 Norte No. 9N-56/58, Cali, Colombia;
NIT # 890325389-4 (Colombia)

23. K. P. TO JEANS WEAR S. DE H.,
Calle 78 No. 53-70 Local 218, Barranquilla, Colombia;
NIT # 800211718-7 (Colombia)

24. M.O.C. ECHEVERRY HERMANOS LTDA.,
Calle 23AN No. 5AN-21, Cali, Colombia;
NIT # 800038241-5 (Colombia)

25. **MARIELA MONDRAGON DE R. Y CIA. S. EN C.,**
Calle 12 Norte No. 9N-56/58, Cali, Colombia;
Avenida 4 Norte No. 8N-67, Cali, Colombia;
NIT # 800122032-1 (Colombia)

26. **MATADERO METROPOLITANO LTDA.,**
Km. 3 Via Marsella Parque Industrial, Pereira, Colombia;
Carrera 10 No. 34-21 Dosq., Pereira, Colombia;
Apartado Aereo 3786, Pereira, Colombia;
NIT # 891412986-8 (Colombia)

27. **MIRALUNA LTDA.,**
(f.k.a. EL PASO LTDA.),
Carrera 4 No. 12-41 of. 1403, 1501, Cali, Colombia;
NIT # 890328836-9 (Colombia)

28. **PATENTES MARCAS Y REGISTROS S.A.,**
(a.k.a. PATMAR S.A.),
Transversal 29 No. 39-92, Bogota, Colombia;
NIT # 830016913-0 (Colombia)

29. **PROYECTOS J.A.M. LTDA.,**
Carrera 53 No. 74-16, Barranquilla, Colombia;
Carrera 54 No. 72-147, Barranquilla, Colombia;
Calle 77 No. 65-37 L-6, Barranquilla, Colombia;
NIT # 800234529-0 (Colombia)

30. **PROYECTOS J.A.M. LTDA. Y CIA. S. EN C.,**
Calle 74 No. 53-23 of. 401, Barranquilla, Colombia;
Calle 74 No. 53-23 L-503, Barranquilla, Colombia;
Carrera 53 No. 74-16 of. 401, Barranquilla, Colombia;
Carrera 53 No. 74-16, Barranquilla, Colombia;
NIT # 800243483-9 (Colombia)

31. **REPARACIONES Y CONSTRUCCIONES LTDA.,**
(a.k.a. RECONSTRUYE LTDA.),
Avenida 6N No. 23DN-16 of. 402, Cali, Colombia;
NIT # 800053838-4 (Colombia)

32. **SAN MATEO S.A.,**
(f.k.a. INVERSIONES BETANIA LTDA.),
(f.k.a. INVERSIONES BETANIA S.A.),
Avenida 2N No. 7N-55 of. 501, Cali, Colombia;

Carrera 53 No. 13-55 apt. 102B, Cali, Colombia;
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Weekly Release of U.S. Reserve Assets

June 8, 1999

The Treasury Department today released U.S. reserve assets data for the week ending June 4, 1999.

As indicated in this table, U.S. reserve assets totaled $71,697 million as of June 4, 1999, down from $72,122 million as of May 28, 1999.

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

1999 *Week Ending*	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/	Foreign Currencies 3/ ESF	Foreign Currencies 3/ SOMA	Reserve Position in IMF 2/
May 28, 1999	**72,122**	11,049	9,784	14,799	14,800	21,689
June 4, 1999	**71,697**	11,049	*9,735*	14,666	14,668	*21,579*

1/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of April 30, 1999. The March 31, 1999 value was $11,049 million.

2/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official SDR/dollar exchange rate. Consistent with current reporting practices, IMF data for May 28, 1999 are final. Data for SDR holdings and the reserve position in the IMF shown as of June 4, 1999 (in italics) reflect preliminary adjustments by the Treasury to the May 28, 1999 IMF data.

3/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

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EMBARGOED UNTIL 8:30 p.m. EDT
Remarks as Prepared for Delivery
June 8, 1999

TREASURY SECRETARY ROBERT E. RUBIN
REMARKS TO THE CENTER FOR THE STUDY OF THE PRESIDENCY

Thank you, Don Marron and David Abshire, and all of you involved with the Center for Study of the Presidency, for this great honor. Let me also say how pleased I am to be honored with Senator Howard Baker. After six and a half years in government, I have gained a deep appreciation of the importance of having Congressional leaders in both parties who, when the partisan skirmishing is done, are willing to work together, to cross party lines and to find common ground to get things done. Throughout his career, Howard Baker has exemplified that spirit of cooperation, and a commitment to making our complex system of government work.

By honoring me this evening, you honor the large number of highly capable, hard working and dedicated public servants --appointed and career -- with whom I have had the privilege to work over the last six and a half years. I accept this honor on their behalf. These people deserve the support and respect of all of us. And I might add, I think that those who denigrate public service -- as some political leaders have from time to time -- do our country a great disservice. You also honor our President, since anything any of us in his Administration has done on the major issues has been under his highly active leadership. It has been the President who has had to make and take responsibility for so many politically and substantively tough decisions, including those that have contributed greatly to the strong economic conditions we have had in our country over the past six and a half years.

During my tenure in the Administration I have gained, I believe, some understanding of how the Presidency works, just as many of you have from your own days in government. While there are many requisites for a successful Presidency, I would like to focus on two interrelated qualities. First, a President must have a clear vision -- a strong sense of what he or she wants to do -- and coherent strategies consistently followed, for achieving that vision. Second, a President must then have the willingness to make tough unpopular decisions in the face of strong opposition.

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Historians will certainly debate the meaning and impact of the Clinton Administration's policy decisions, as they would for any Administration's decisions.

I believe that they will conclude that entering office after twelve years of enormous fiscal deficits and at a time of economic unease, this President made tough decisions on the economy with a consistent vision. These include the 1993 deficit reduction program that prevailed by only one vote in the House and with the Vice President's tie breaker in the Senate, the strenuous effort to secure passage for the North American Free Trade Agreement, despite broad opposition -- including among his political allies; the decision in the face of overwhelming popular opposition to undertake the Mexican support program during what some have called the first financial crisis of the 21st Century; and the many controversial decisions -- which were sound in my view -- involved in combating the Asian financial crisis.

Making these decisions was made all the more difficult by the atmosphere in which our elected officials must govern -- something which seems to me deeply troubling as I think about my six and a half years in Washington. Twenty-four hour reporting, the conversion of policy issues into personal attacks, the tendency to make thirty-second sound bite judgments, all discourage decision making that involves risk. So, too, do two even more fundamental factors. Major decisions are inherently uncertain, and so necessarily involve probabilistic judgments. But, decisions are judged solely on the basis of their results, rather than on the quality of the probabilistic decision making itself. Moreover, we are all human, and we all make mistakes. But Washington has no tolerance for mistakes, and requiring perfection must certainly be the enemy of good decision making.

How to try to improve all of this is both critically important, and not at all clear --at least not to me. One way, though, that we can all contribute to creating a better environment for decision making is to increase understanding among the American people about the opportunities and risks involved in the major issues facing the nation. For example, as we look forward, I am particularly concerned with -- as are many of you -- the need to maintain and strengthen America's leadership role in the world. However, at a time when our economic well being, as well as national security and other interests, are enormously affected by what happens outside our borders, the voices urging us to turn inward are growing louder and stronger, both among the public at large and in official Washington. The antidote, it seems to me, is public understanding, and that, in turn, could produce a better environment for the difficult decisions of the interdependent world of the new century.

If you speak to those who have worked in and out of government for the past twenty or thirty years, no matter their party allegiance, they often point to a great deterioration in the conditions that surround policy makers at the highest levels of government. Even in the six and a half years I have been in Washington, the atmosphere is generally thought to have grown worse. It seems to me that you at the Center for Study for the Presidency, who are intensely focused on the inner workings of that office, can play a very important bipartisan role in trying to determine how to change this dynamic and to foster conditions that will help and not hinder Presidents in making tough decisions. I believe this is critical, for the sake of future Presidents, but much more importantly, for the citizens they will serve.

Thank you, again, for this honor, and for the opportunity to speak with you this evening.

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Embargoed until 10 a.m. EDT
Text as Prepared for Delivery
June 10, 1999

TREASURY ASSISTANT SECRETARY EDWIN M. TRUMAN TESTIMONY BEFORE THE HOUSE COMMITTEE ON BANKING AND FINANCIAL SERVICES

Mr. Chairman, Ranking-Member LaFalce, I am grateful for this opportunity to discuss recent economic and financial developments in Russia, which I know are of considerable interest to this Committee as well as to other members of Congress.

There is no question that the United States has enormous economic and national security interests in what happens in Russia. Economic instability in Russia raises important concerns for our broader national security, given Russia's pivotal and continuing role with respect to nuclear security, the battle against terrorism, the stability of Eurasia, and conflict resolution in global hot spots like the Balkans.

I would like to structure my testimony today around seven points. First, Russia can point to some reform accomplishments (both political and economic) during the past eight years and they remain in place. Second, events since August suggest that there is a greater consensus in Russia on economic objectives than we might reasonably have anticipated. Third, although all the news over the past eight years and last 10 months about economic reform in Russia has not been uniformly negative, the plain fact is that Russia continues to suffer from an inability to implement a consistent, comprehensive and sustained economic reform agenda. Fourth, criticisms of the West's efforts to help Russia based on the results achieved and corruption that remains tend to confuse the medicine with the disease. Fifth, looking ahead, the approach that best serves U.S. and Russia's interests is to continue to support credible extension of market-oriented economic reform. Sixth, a resolution of Russia's debt situation is intimately bound up with the issue of Russia's cooperation with the international financial institutions on an agreed program of economic reform. Seventh, in light of past shortfalls relative to expectations, Russia and the international community should try to develop new, innovative ways to promote Russia's transformation to a fully functioning market economy, including through support of broad based, structural and institutional reforms.

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Turning to my first point, although many observers with reason are disappointed in progress that has been made in Russia's economic transformation, we should not lose sight of what has been accomplished over the past eight years, accomplishments that generally remain in place. Russia has a free press, voters select their political representatives via the ballot box, Russians trade freely in both goods and information with the rest of the world, and private property and free enterprise are generally accepted elements of the economic landscape. Well over half of economic activity is in private hands; by 1997 military spending had fallen in real terms to one-seventh of its peak Soviet level in 1988, and to two-fifths of its 1992 level; and the central bank has demonstrated that it has the technical capacity to bring inflation under control.

Second, it is easy to be discouraged about Russian economic reform and performance because there is a lot to be discouraged about. However, developments since last August suggest more of a consensus in Russia on the fundamental economic objectives than might have been anticipated or feared. Even during a period in which many of the leaders of the government were identified with the failed policies and structures of the Soviet past, there has not been a reversion to central planning, directed lending, industrial subsidies, or reliance on the printing press. Given this experience, it is a reasonable judgement that the probability of such retrogression in the immediate future has been reduced. Moreover, going forward, the continued presence in the new government of reformist elements is reassuring, and the commitment by the current and previous governments to reforms agreed with the IMF and World Bank appears to demonstrate that support for core economic and financial reforms is more firmly entrenched in Russia than some may have thought was the case.

Nevertheless, and this is my third point, the root problem in Russian economic reform since the dissolution of the Soviet Union has been the inability to translate promising intentions with respect to reform into reasonable reality. This problem unfortunately remains today, and it has been stressed in previous testimony by Administration officials. A bloated bureaucracy, an unwieldy and distorted tax system, and a failure to implement fundamental fiscal reforms led to a buildup of debt which overwhelmed the authorities in August of last year. The Russian banking sector never developed into an effective mechanism for allocating savings to productive private investment. It follows from these shortcomings that the Russian government's capacity to implement fundamental fiscal and structural reforms will be a core consideration in assessing both the likely trajectory of Russian policies going forward and the appropriate level of support for those policies by the international community.

With respect to IMF economic and financial policies toward Russia in the aftermath of the August crisis, critics of Russia's reform process have focused their critiques on two aspects. First, they have argued that Russia's default and devaluation last August demonstrate that the macroeconomic prescriptions of the IMF, prescriptions supported by the United States and other G-7 governments, were flawed. Second, they have argued that Russia is simply "too corrupt" to reform.

The first criticism is the equivalent of concluding that the medicine is ineffective when the patient has not taken it or has only intermittently taken half the recommended dosage. My sense is that there was and is quite a broad consensus, both in Russia and in the West, regarding the benefits of macroeconomic stabilization in terms of building confidence, facilitating long-term planning and investment, and providing the basis for economic growth. Having said this, it is also broadly understood that a robust fiscal framework was never put in place in support of the stabilization that was achieved in Russia in 1995. Without a sustainable financial structure for the public sector backed by a credible budget process, it was only a matter of time until the effects on government debt of the compounding of high interest rates would cause the macroeconomic stabilization that had been achieved to crater. However, it was not possible to predict when the failure to fully reform Russia's budget and tax systems would be manifested in the markup. Moreover, the severe setback to stabilization that ultimately resulted in no way detracts from the fundamental desirability of the course that was persistently advocated but not consistently pursued from 1995 on. There was always a reasonable chance that the race between the forces of fiscal reform and the arithmetic of fiscal excess would be won by the former.

The second criticism of policy toward Russia -- the issue of corruption -- assumes, incorrectly in my view, that the causal arrow between corruption and reform points in only one direction. In fact, one of the core goals of a balanced program of reform is the elimination of opportunities for corruption which proliferate in a system that is ruled by arbitrary administrative controls administered by underpaid bureaucrats. From this perspective, the disturbing persistence of widespread corruption is indicative of just how far Russia has to go and of the inadequacy of progress over the past eight years. Corruption in Russia is a very serious issue not only for Russia but also for the international community that is trying to be supportive of Russian reform.

For this reason, the issues of crime and corruption have received increased attention in recent years, much of it linked in one way or another to our efforts. To set the record straight, we have been working with the Russians for several years now to combat organized and other types of crime. U.S. government programs have focused on development of the rule of law, law enforcement training, building working relationships between U.S. and Russian law enforcement counterparts to enhance cooperation on specific criminal cases, and negotiation of core law enforcement agreements to enhance overall coordination of anti-crime efforts on the basis of internationally accepted standards. We have also supported anti-corruption efforts, by helping to promote good governance and transparency. At the Department of Treasury's Financial Crimes Enforcement Network (FINCEN), we are working with Russian authorities to assist in the development of money-laundering legislation and the creation of a financial intelligence unit for the surveillance of large-scale financial transactions.

There are some early indications that all this work is beginning to bear fruit. Notably, the Office of the Prosecutor General has initiated and is prosecuting numerous cases against

Russian officials, including high-level officials, who have allegedly abused their government positions. Russia is also beginning to pass much-needed legislation, including civil and criminal codes, which will form the basis of a "rule of law" society. Perhaps most importantly, there are signs of greater recognition at the political level of the negative consequences which unchecked crime and corruption can have on the development of democracy and sustainable economic growth. However, I do not want to understate either the seriousness of the corruption issue in Russia or the difficulty of dealing with such phenomena once they are entrenched. We will continue to support programs that help Russia combat corruption.

Looking forward, and moving on to my fifth point, we believe that the approach that best serves Russia's interests, as well as those of the United States, involves principally a renewed commitment by Russia to the market-oriented process of reform. The scope of U.S. and international assistance should be predicated on the quality of the efforts of the Russian authorities and the support they receive from the general population. The strategic importance of Russia dictates continued engagement, but a process of engagement that is predicated on performance, not just promises. We intend to continue to stand ready to engage Russia across a broad spectrum of pursuits and to remain alert to new opportunities to reinforce economic and financial reforms. We also intend to continue our long-standing support for the International Financial Institutions' objectives in Russia, with program objectives appropriately gauged to current conditions as well as conditioned on Russia's adherence to its program of reform.

Because of past policy failures, Russia now faces serious external financial challenges. The issue of Russia's external debt problem is, in turn, intimately bound up with the issue cooperation with the Fund for three key reasons:

First, avoiding additional borrowing or printing money to finance budget deficits requires the type of fiscal and monetary discipline and the close technical attention to detail and consistency that a Fund program can engender;

Second, Russia will need external financing to help cover a substantial financing gap over the program period; and

Third, Paris Club creditors will not proceed to negotiate about Russia's debt situation without an IMF-approved economic program in place; such a program helps provide confidence that Russia is implementing the policy steps needed establish a sustainable external financial position.

The program that the Russian authorities have agreed with the IMF focuses on areas such as fiscal reform and strengthening the banking system that we believe are key to restoring stability to the economy, and the Paris Club (assuming Russia has put its new IMF-supported program in place) can help provide needed "breathing space" regarding Russia's external payment obligations. We hope to avoid a counterproductive outcome where an impossibly large external debt burden reduces incentives for Russia to remain engaged and to continue the process of economic reforms. At the same time, we must be realistic about what Russian policy can achieve under current political circumstances. We must also be cautious about adding further to Russia's debt burden, and we must ensure that any funds advanced by the IMF are dedicated to the repayment of obligations to it. Similarly, any funds advanced by the World Bank or EBRD should be targeted to the achievement of well-specified reform objectives.

On my final point, we must recognize that Russia continues to face very difficult economic challenges and it is handicapped by its limited accomplishments to date. Against this background, Russia and the international financial community should try to develop new, innovative ways to promote on a broader basis the transformation of Russia to a fully functioning market democracy using mechanisms that reflect the lessons of recent years. Once a new economic program supported by the IMF is in place and pressure on Russia's external financial position has abated, the focus should be on helping Russia craft a comprehensive reform strategy that will be politically salable to a broad spectrum of Russian citizens.

Emphasis should be on:

lower tax rates with more uniform application (including increased pressure on tax-delinquent enterprises);

comprehensive bank restructuring;

increasing the flow of financing to small- and medium-sized enterprises;

improving the investment climate by enhancing the rule of law, reducing the regulatory burden and strengthening the rights of minority shareholders;

redirection of expenditure priorities towards health and education;

reductions in redundant bureaucracy and in arrears to teachers and health service workers; and

increased attention to Russia's regions, with extra support directed to those regions that display a willingness to embrace more aggressive reforms.

Greater emphasis should also be placed on our dialogue with Russia on issues of political legitimacy and on the development and implementation of a robust social contract.

Finally, more attention should be paid in the coming months to an intensification of the dialogue between the Fund and the Bank on structural reforms so that progress on structural issues advances in tandem with achievements with respect to fiscal and other macroeconomic stabilization goals.

This agenda is challenging. There is no assurance that it can be implemented, but in our view it is the way forward. However, it is up to Russia to choose this course.

Mr. Chairman, I hope these points have been helpful, and I stand ready to try to answer any questions from you and this distinguished committee.

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EMBARGOED UNTIL 1:30 p.m. EDT
June 9, 1999

TREASURY SECRETARY ROBERT E. RUBIN REMARKS TO THE BRETTON WOODS COMMITTEE

Thank you. It is a pleasure to speak with you today. The first speech I gave as Treasury Secretary four and a half years ago was before the Bretton Woods Committee. It seems appropriate that one of the last speeches I will give as Treasury Secretary is also before you, because we have seen in recent years just how critically important the issues I discussed with you four years ago -- the imperative for our economic well being of strong U.S. leadership and engagement with respect to the issues of the global economy -- truly are.

The six and a half years of this Administration have been marked by an ever greater economic interdependence amongst the nations of the global economy, including the greatly increased globalization of financial markets.

The new reality created by the global economy has brought tremendous opportunities around the globe. When I first started in the investment banking business over thirty years ago, developing countries were largely irrelevant with respect to the U.S. economy, while in recent years they have been absorbing over 40 percent of our exports. The process of globalization has helped lift tens of millions of people out of poverty in the developing world even after allowing for the Asian financial crisis, although much certainly remains to be done. And I believe that these growing economic ties and open markets have contributed to the trend towards greater democracy across the globe, though here too there is much still to do.

Having said all that, global interdependence has also presented new risks. In 1995, we experienced what some have called the first financial crisis of the 21st century in Mexico, a situation that could have spilled across our border without President Clinton's decision -- in the face of overwhelming public opposition -- to join with the IMF to help restore confidence and economic stability in Mexico. In the last two years, a financial crisis of unprecedented scope unfolded in Asia. It spread quickly within that region, affected other countries around the world and posed a very real risk to our economy. And the default of the Russian government on its domestic debt created havoc in financial markets around the world.

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All of these events demonstrate that the basic principle that your organization has stood for -- that our economic well-being is inextricably linked to the rest of the world -- is even more true and more obvious today than it was six years ago, not to mention 50 years ago when the Bretton Woods Institutions were founded.

While some have said that the development of the global economy and the role and power of global markets has diminished the power of sovereign governments, in fact the opposite is true. But this role has changed. Instead of exercising economic control, the role of government now is to create the sound policies -- from fiscal discipline to good public education -- that will attract capital and promote investment, while at the same time pursuing social, environmental and other non-market objectives. And with increased global interdependence the importance of governments pursuing sound policies, is not only an issue of interest to them but to every other country as well; since failure in one country can now much more readily affect other countries.

To help our nation prosper in this environment, President Clinton has consistently pursued a strong international economic strategy of opening markets abroad while keeping our markets open; promoting growth and reform in developing countries; and dealing with financial crises when they occur. And I believe that strategy has been a major factor in the strong economic conditions our nation has enjoyed over the past six and a half years.

However, the turmoil in the global economy in the last few years has caused great controversy around globalization and around market-based economies. In other countries around the globe there is debate over whether nations should retreat from global integration and from market-based policies through measures such as capital controls and greater state direction of economic affairs. And in our country some argue that we should turn inward and retreat from the world. I believe, and your organization believes, just the opposite -- that we turn inward at our peril and that our national interest requires that we exercise leadership across the full panoply of international issues. Moreover, my experience in government has also reinforced for me my belief that the market-based system offers the best opportunities to promote growth and improve standards of living across the globe.

Yet the turmoil does underscore something long recognized and discussed: that there are risks in the global market-based system and that there are some purposes that markets by their nature cannot achieve. The challenge is to put in place measures that effectively deal with these issues, to create the conditions in which free flows of capital and market-based economies work best. Meeting this challenge, in my view, will include focusing on three key areas: strengthening the international financial institutions, reforming the international financial architecture and maintaining an open trading system.

First is to strengthen and reform the international financial institutions, which this organization was created to promote, so that they best meet the needs of today's rapidly changing world. For fifty years, these institutions have been at the center of the effort to create a stronger, more prosperous global economy, and on the whole, they have contributed much to these goals. One can look at any number of developing nations or countries making the transition from communism -- from Chile to Poland -- that have received advice and assistance from the IFIs over the years, and have made real progress. Most recently, of course, the IFIs have played a critical role in confronting the global financial crisis, where I believe, on balance, the IFIs have acted sensibly and made a great contribution in the face of enormously complex and, in many ways, unprecedented issues.

Even before this crisis, the IFIs recognized the need to improve their own operations and broaden their scope to adapt to the new issues surrounding the global economy. We have worked forcefully with these institutions to reduce overhead, become more open, promote private sector development, focus on health care, education, and the issues of women, and become more sensitive to environmental concerns, core labor standards and human rights. Over the last two or three years, the IMF and the World Bank have provided an intense focus on corruption, which is now recognized as a major economic issue -- and in some cases probably is the greatest impediment to success -- in many developing countries. And, more recently, the IFIs have developed new mechanisms for dealing with financial crisis. Going forward, the IFIs must continue on the path of change and reform -- even when the spotlight of attention caused by the crises dims.

Second, we must carry forward the reforms of the international financial architecture that were initiated earlier in this Administration. We have formulated a comprehensive approach -- not a dramatic single initiative of some sort, but a powerful program of measures to be implemented and improved upon over time -- and we are working to coalesce international support for it, including the G-7 Leaders Cologne Summit later this month.

One of our aims is to work with developing countries to identify best practices for developing countries across a broad range of economic policy areas, and then create inducements for developing countries to adopt such practices. Another is to find ways to encourage better risk management in industrial country financial institutions, whose inadequate focus on risk that led to excess capital flows played a major role in the Asian financial crisis. Both of these aims are preventive. In addition, we seek to find better means of responding to crisis, an effort which must include developing an appropriate private sector role in crisis response.

The third area that is critical to a successful international economic strategy is to continue to press for an open trading system. I think we should all be deeply troubled by the calls for restricting access to our markets here and at home. For example, the House of Representatives, by a vote of two to one, recently passed a bill imposing quotas on steel imports -- a bill that is inconsistent with WTO standards and antithetical to open, market-based economic growth. That bill could well pass the Senate, and such action in the strongest major economy in the world creates a real risk of strengthening the already increased protectionist pressure being felt around the world. It is no exaggeration to say that this could get off a wave of market access restrictions, but the voices of free trade have been silent.

It is, I might add, worth noting that the United States, which has the most open markets of any major economy in the world, has 4.3 percent unemployment, and massive new job creation in recent years, while continental Europe, whose markets are far less open, has 10 to 12 percent unemployment and virtually no job growth.

At the same time, we must recognize that trade -- just like technology to a far greater degree -- does have dislocating effects on some. A forward-looking international policy must be coupled with a forward-looking domestic policy, which provides our people with the tools to succeed in the global economy, and helps those that are dislocated successfully reenter the economy as quickly as possible.

The issues I have discussed today -- reforming the IFIs, strengthening the international financial architecture, and maintaining open markets -- are not simply questions of economics, but politics. As I prepare to step down as Treasury Secretary, I think one of the key lessons reinforced during the past few years is that the politics of international economic policy are just as important as the policy. Good policy will not be put in place and maintained unless there is adequate political support. In that respect, we must focus on working to broadly share the benefits of growth and globalization, including through bilateral and multilateral aid, targeting resources to the most vulnerable and offering debt relief to the poorest nations that are committed to reform. Measures such as these are not only good economic policy, they are critical to building support for that policy.

At the same time, in our own country, we must broaden understanding of our stake in the global economy. That understanding is not broadly shared among the American people, and, as I said at the beginning of my remarks, the voices of those advocating that we turn inward are growing more numerous and getting stronger.

I believe we may be at a crossroads, both at home and abroad. People all over the world have benefited enormously from globalization, and open markets and market-based systems have proliferated across the globe. Yet their basic precepts are being challenged by leaders in key nations, including our own.

In this context, all of us now must do far more here and abroad, to build public support for the policies that your organization has done so much to foster. I'd like to thank you for your help and support during my tenure in government and I know that Larry Summers looks forward to your help and support during his tenure. I might add that while many of you know Larry, for those who don't, you will find that he brings to this job an extraordinary combination of great intellectual prowess, practicality, experience with the issues, and seriousness of purpose. He is equipped to be, as I have no doubt he will be, a truly outstanding Secretary. Let me conclude by saying, as I step down as Secretary, that I firmly believe that the decades ahead can be very good for our economy, our country and the global economy at large, but that to realize that potential we must all work together on both the substantive and the political challenges to achieving sound economic policy in the new century.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
June 10, 1999

Contact: Lydia Sermons
(202) 622-2960

TREASURY OFFICIAL ADDRESSES MAYORS GUN VIOLENCE TASK FORCE

Treasury Under Secretary for Enforcement James E. Johnson will address the U.S. Conference of Mayors Gun Violence Task Force plenary session to discuss national firearms legislation and enforcement issues at 11 a.m. (EDT) on Friday, June 11, at the Fairmount Hotel, 123 Baronne Street, Bayou 1 Room, New Orleans, Louisiana.

Reporters without conference credentials should contact the U.S. Conference of Mayors press office at the Fairmount Hotel at (504) 529-4769.

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RR-3197

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED FOR RELEASE AFTER PRESS CONFERENCE
Text as Prepared for Delivery
June 10, 1999

TREASURY SECRETARY ROBERT E. RUBIN
PRE G-7 PRESS CONFERENCE

This weekend, I will travel to Frankfurt to meet with the G-7 Finance Ministers and the European Commission. This will be my last G-7 meeting as Treasury Secretary. As I have said before, in my view, these meetings provide a very effective opportunity for the finance ministers of a small group of leading economies that occupy a similar position in the global economy to come together in an informal setting to exchange views, to develop common positions, and to prepare the ground for action as needed. I think these meetings are indispensable in providing leadership on the issues of the global economy.

Our task at this meeting will be to prepare for the following weekend's Summit in Cologne. We will focus on three basic areas: continuing the work to reform the international financial architecture for the 21st century; strengthening the global economy and promoting balanced growth; and working to accelerate the provision of relief from ongoing debt problems of the highly indebted poor countries .

World Economy

The first challenge we face is promoting growth and recovery in the global economy. With respect to the industrialized nations, while the most likely scenario for the United States remains solid growth and low inflation, subject to the usual ups and downs and the risks of the global economy, we believe all of the G-7 countries must act to promote solid domestic demand led growth. I am sure we will be discussing how Japan and Europe plan to move forward on growth in their economies. We have begun to see some turnaround in the economic performance of the Asian economies affected by financial crisis, and several of the other countries affected by the crisis, such as Brazil, that have so far taken effective action to limit the potential impact of financial crisis on their own economies. However, these countries still face enormous challenges, which makes it critical that they sustain implementation of their reform agendas.

RR-3198

It is also critically important that Europe and Japan do their part because the international system cannot sustain indefinitely the large imbalances created by the disparities in growth and openness between the U.S. and its major trading partners.

Financial Architecture

The second major issue we will focus on is global financial architecture. Our approach to this work has been based on the fundamental belief that a market-based system provides the best prospect for the global economy, but that crisis prevention and response to crisis need to be substantially improved.

We believe that we can use this weekend's meeting to agree on a package of concrete measures to present to our Leaders that will strengthen this market-based system by meeting these objectives.

Debt

The third key challenge is for the G-7 to find a way to address the continuing problems of high debt burdens in the Highly Indebted Poor Countries (HIPCs) to provide a lasting exit from the debt problems these countries face by promoting the adoption of economic reform policies; freeing up more resources for poverty alleviation, sustainable development and good governance; and establishing an environment that promotes the savings and investment necessary for growth. On March 16, President Clinton called on the international community to pursue a comprehensive approach to debt relief for the HIPCs that would provide more relief, faster, to a broader range of heavily indebted poor countries that have strong reform programs. The President said that, "Our goal is to ensure that no country committed to fundamental reform is left with a debt burden that keeps it from meeting its peoples' basic human needs and spurring growth."

Other Challenges

We will address two other challenges that are particularly important to U.S. strategic interests.

We plan to meet with our Russian counterparts during the meeting to discuss the new government's plans for economic stabilization and reform. We have an important interest in promoting stability and economic growth in this key nation.

Finally, we will discuss our ongoing efforts concerning the economic consequences of the Kosovo conflict. We have been working closely with our European partners and will use this meeting to help ensure a successful effort in this area.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
June 10, 1999

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million to refund $15,901 million of publicly held securities maturing June 17, 1999, and to pay down about $901 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $7,814 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $2,699 million held by Federal Reserve Banks as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the highest discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $932 million into the 13-week bill and $691 million into the 26-week bill.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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Attachment

RR-3199

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED JUNE 17, 1999

June 10, 1999

<u>Offering Amount</u>	$7,500 million	$7,500 million
<u>Description of Offering</u>:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 CB 5	912795 CY 5
Auction date	June 14, 1999	June 14, 1999
Issue date	June 17, 1999	June 17, 1999
Maturity date	September 16, 1999	December 16, 1999
Original issue date	September 17, 1998	June 17, 1999
Currently outstanding	$26,552 million	---
Minimum bid amount and multiples	$1,000	$1,000

<u>The following rules apply to all securities mentioned above:</u>

<u>Submission of Bids:</u>

Noncompetitive bids .... Accepted in full up to $1,000,000 at the highest discount rate of accepted competitive bids.

Competitive bids .... (1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 7.100%, 7.105%.

(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $1 billion or greater.

(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

<u>Maximum Recognized Bid at a Single Yield</u> .... 35% of public offering

<u>Maximum Award</u>.................. 35% of public offering

<u>Receipt of Tenders:</u>

Noncompetitive tenders ...... Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders .... Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

<u>Payment Terms</u>: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED FOR 12:30 P.M. (EST)
June 11, 1999

Contact: Public Affairs
(202) 622-2960

UNDER SECRETARY OF THE TREASURY FOR ENFORCEMENT JAMES E. JOHNSON REMARKS BEFORE THE U.S. CONFERENCE OF MAYORS GUN VIOLENCE TASK FORCE, NEW ORLEANS

Mayor Corradini, Mayor Harmon, members of the Gun Violence Task Force, and distinguished leaders from cities and towns across the nation. I am pleased to be with you today to share my thoughts on three important issues: the problem of youth violence; how easy access to firearms makes violence much more deadly; and most importantly, what steps we can take together to address this critical issue.

As Mayors and members of city councils, you know all too well the magnitude and severity of this problem. You have sat with parents who have buried their children. You have tried to console the inconsolable. If today is a typical day, thirteen young Americans will die from gunshot wounds. Thirteen lives full of hopes and dreams will end in tragedy. Thirteen children who could have contributed to their families, schools, neighborhoods, and communities will have their lives cut short.

The Conference of Mayors has a thirty-year history of providing strong leadership in the fight against crime and violence. As a representative of all federal law enforcement officials, I thank you, and your President, Mayor Corradini, for your leadership and support, and I can assure you that we at the Department of the Treasury -- and our colleagues at the Department of Justice -- have benefited tremendously from our partnership with you. I am here to bring the Administration's perspective on these issues, to ask you to join us as we redouble our efforts to do more, and as the day goes on, to learn more from your experience on the front lines.

For the past six years, President Clinton and Vice President Gore have stood with you in the fight against violent crime: putting more police onto the streets of our neighborhoods and communities; working to get guns out of the hands of those who should not have them; working to remove from our streets certain high-powered weapons that no one should possess; and working closely with your law enforcement authorities to investigate, to arrest, and to prosecute those who violate our firearms laws.
RR-3200

As part of a coordinated effort with you, and with our allies at the state and federal level, this approach has achieved tremendous results. Over the last six years, the number of violent crimes committed with a firearm is down 27 percent. Homicides committed with firearms dropped 24 percent, robbery with firearms 27 percent, and aggravated assault with firearms has dropped 26 percent. But these figures are still too high.

Over the same time period, federal, state, and local firearms convictions have risen sharply, and the number of federal cases in which the firearms offender is sentenced to five or more years in prison is also up substantially.

The Brady background check system also works. Its goal is to prevent felons, juveniles, and other prohibited persons from obtaining a firearm. Over 250,000 such people have been thwarted in their attempts to obtain a firearm because of Brady checks.

In short, during the Clinton/Gore Administration, more police are on the street, more of our most violent offenders are going to prison for longer periods of time, and prohibited persons are having a harder time gaining easy access to weapons.

The Administration continues to work vigorously on its enforcement efforts, and wants to do an even better job -- working hand-in-hand with you and other civic and community leaders -- to make our neighborhoods, communities, towns, rural hamlets, and cities safer places to live.

There is a consensus in our country on how to do this. Americans favor smart, tough, and comprehensive enforcement and prevention solutions to decrease the incidence of firearms violence and to make our communities safer. There is a consensus that certain people, such as violent criminals, felons, and unsupervised juveniles, should not have access to firearms and explosives; that we do not need to have certain types of weapons and ammunition in our schools, our neighborhoods, our communities, and our cities; that firearms and explosives must be bought and sold legally and responsibly; and that firearms must be stored safely and securely by their owners so that fewer of our troubled youth will have access to weapons that can kill and maim, and so that fewer still will end up as needless victims of an accidental pull of the trigger.

The Clinton/Gore Administration has set forth a legislative package designed to pursue these aims. Let me focus on three core principles of these proposals: keeping guns out of the hands of our young people; stopping the illegal trafficking of firearms; and preventing the tragic and accidental deaths that happen all too often as the result of the improper storage of firearms.

Every day, we are reminded that guns and young people are a lethal mix. President Clinton's bill aims to keep guns out of the hands of our young people by raising the age for youth possession of a handgun from 18 to 21, and by banning juvenile possession of semi-automatic assault rifles.

We need to target the criminal behind the criminal: the illegal gun trafficker. The President's bill will close the "gun show loophole" by imposing mandatory record keeping and background check requirements. The President's bill will limit the quantity of handguns any person can purchase to one per month.

Finally, we believe that no parent should mourn a child who has come across a weapon and lost his life in a deadly accident. To this end, the President's bill seeks to prevent tragic and accidental deaths by requiring firearms dealers to provide secure storage or safety devices with every firearm sold, and by holding parents criminally liable for recklessly allowing their children access to their guns, if the children use those guns to cause death or serious bodily injury.

There are other proposals in the President's legislative package also designed to combat the illegal or inappropriate possession, trafficking, and use of firearms. Together, they represent sound, commonsense, and reasonable approaches to this issue. Indeed, the United States Senate took a promising step forward when, with Vice President Gore's tie-breaking vote, it passed legislation that incorporated some, though not all, of these provisions.

As we meet here today, the House of Representatives is considering legislation proposed by the Clinton/Gore Administration that would give law enforcement authorities more tools to help combat the very serious problem of youth violence. Yet, some have come forward to try to defeat or to dilute this sensible legislation.
As President Clinton has remarked many times in connection with these issues, and as he has challenged each of us, we can do better. We must do better. The lives of our children are too important to entrust to the whims of narrow interests.

More federal laws and more federal, state, and local prosecutions are, of course, essential to our success, but standing alone, they will not eliminate the serious problem of youth violence. Federal enforcement authorities continue to need the leadership and assistance of State and local officials -- mayors like yourselves, police and sheriffs' departments, and community group leaders -- to help stop youth violence. On behalf of Secretary Rubin, I can assure you that the Treasury Department and the Bureau of Alcohol, Tobacco, and Firearms -- ATF -- are fully committed to working with Mayors and with local authorities and community groups to help combat youth violence involving firearms.

Let me share with you some concrete evidence of that commitment. In July 1996, President Clinton and the Treasury Department launched a new kind of law enforcement program, the Youth Gun Crime Interdiction Initiative -- YCGII -- to work with cities in targeting firearm violations involving youth and juveniles.

ATF operates the Youth Crime Gun program in 27 cities - from Los Angeles to Miami and from Houston to Philadelphia. The President's firearms legislation would increase the number of participating cities to 75 by the year 2003. Through the Youth Crime Gun effort, local police and sheriffs' departments work with our dedicated ATF agents to trace all recovered crime guns and to identify and arrest illegal gun traffickers and criminal users of firearms. This program works. It works in Houston, in Chicago, and in St. Louis.

YCGII and crime gun tracing have helped police departments across the country to identify, to investigate, and to arrest those who put guns out onto the streets and into the hands of gang members, minors, felons, and drug traffickers - none of whom should have guns. Police departments that understand how their local illegal gun market operates have a far greater ability to cut off that market and, ultimately, to shut it down.

Let me give you one example of what the YCGII program has accomplished. Between January 1989 and May 1996, a gun store owner in St. Louis, Missouri knowingly sold guns to straw purchasers and falsified forms for straw purchasers. ATF investigators determined that some 350 firearms which had been recovered at crime scenes had all gone through that gun store. Other guns distributed from the store had been used in ten murders, including one during a bank robbery. The bottom line here: as a result of crime gun tracing, the owner and two of his employees pled guilty to a variety of firearms violations; they are currently awaiting sentencing.

Anti-trafficking strategies, of course, are but one piece of the enforcement puzzle. There are others. Earlier this year, President Clinton directed Secretary Rubin and Attorney General Reno to pull these pieces together by developing an integrated violence reduction strategy. The President's Directive calls for us to work closely with city leaders and community members to develop innovative strategies, to gather the best of what you, in this room, have done in your cities and communities, and to build on it.

We know that there are promising approaches to build upon, because we have started them together: Project Atlantis in Atlanta; Chicago's Anti-gun Enforcement Program, known as CAGE; Philadelphia's Firearms Trafficking Task Force; and the Los Angeles Police Department's Youth Crime Gun Interdiction Detail are examples of some of the proven programs that can serve as models for other cities. Mayors, city councils, police and sheriffs' departments, community organizations, ATF, U.S. Attorney's offices, and numerous state and local agencies all work together in these programs with a common aim: to help deter youth violence and to identify illegal suppliers of firearms to gang members and drug dealers. As we develop this national strategy, we will come to you for your experience, your insight, and your support, and we hope to be able to support you, as well, as you continue to develop your own strategies.

Before I close, I would like to share with you some personal thoughts and observations. Recently, I went to Colorado to meet with the law enforcement officers and local authorities who responded to the attack at Columbine High School. I don't think that I will ever forget what I saw in Littleton. The school had been stopped cold. As I walked through hallways, I saw all the signs of a vibrant school life: lockers chocked full of books; posters from the student body campaign; and signs cheering on the sports teams. I saw many things that one would expect to see in a place of joy, a place that should have been a haven. But it was no haven. Walls and floors had been pock-marked by bullets and scarred by bombs. The damage, the murder in that place, was brought about by two youths who should never have had access to guns and never have had access to bombs.

Every day, the toll of Columbine is visited on our nation. Everyday, thirteen youngsters disappear forever from our lives as victims of gun violence. As Treasury's Under Secretary for Enforcement, as a representative of federal law enforcement, and, most importantly, as a father of two little girls, I find that statistic unacceptable.

Together, each of us in this room must continue on our important mission. Every life we work to save, every death we work to prevent, will be our victory. Together, we must pledge to recommit ourselves to programs and policies that work, and we can work to develop even better strategies to ensure that our children can live their lives in the freedom and security that should be their birthright.

Thank you.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
June 14, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	June 17, 1999
Maturity Date:	September 16, 1999
CUSIP Number:	912795CB5

High Rate: 4.620% Investment Rate 1/: 4.753% Price: 98.832

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 52%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 21,726,823	$ 5,844,715
Noncompetitive	1,332,404	1,332,404
PUBLIC SUBTOTAL	23,059,227	7,177,119 2/
Foreign Official Refunded	324,936	324,936
SUBTOTAL	23,384,163	7,502,055
Federal Reserve	4,059,310	4,059,310
Foreign Official Add-On	43,864	43,864
TOTAL	$ 27,487,337	$ 11,605,229

Median rate 4.605%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 4.530%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 23,059,227 / 7,177,119 = 3.21

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,022,898,000

http://www.publicdebt.treas.gov

R-3203

PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
June 14, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	June 17, 1999
Maturity Date:	December 16, 1999
CUSIP Number:	912795CY5

High Rate: 4.855% Investment Rate 1/: 5.059% Price: 97.546

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 35%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,218,201	$ 4,053,701
Noncompetitive	1,085,554	1,085,554
PUBLIC SUBTOTAL	21,303,755	5,139,255 2/
Foreign Official Refunded	2,373,864	2,373,864
SUBTOTAL	23,677,619	7,513,119
Federal Reserve	3,755,000	3,755,000
Foreign Official Add-On	321,136	321,136
TOTAL	$ 27,753,755	$ 11,589,255

Median rate 4.820%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 4.750%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 21,303,755 / 5,139,255 = 4.15

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $767,897,000

http://www.publicdebt.treas.gov

RR-3204

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

FOR IMMEDIATE RELEASE
June 16, 1999

Contact: Office of Financing
(202) 691-3550

TREASURY'S INFLATION-INDEXED SECURITIES JULY REFERENCE CPI NUMBERS AND DAILY INDEX RATIOS

Public Debt announced today the reference Consumer Price Index (CPI) numbers and daily index ratios for the month of July for the following Treasury inflation-indexed securities: (1) the 3-3/8% 10-year notes due January 15, 2007, (2) the 3-5/8% 5-year notes due July 15, 2002, (3) the 3-5/8% 10-year notes due January 15, 2008, (4) the 3-5/8% 30-year bonds due April 15, 2028, (5) the 3-7/8% 10-year notes due January 15, 2009, and (6) the 3-7/8% 30-year bonds due April 15, 2029. This information is based on the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics of the U.S. Department of Labor.

In addition to the publication of the reference CPI's (Ref CPI) and index ratios, this release provides the non-seasonally adjusted CPI-U for the prior three-month period.

This information is available through the Treasury's Office of Public Affairs automated fax system by calling 202-622-2040 and requesting document number 3205. The information is also available on the Internet at Public Debt's website (http://www.publicdebt.treas.gov).

The information for August is expected to be released on July 15, 1999.

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Attachment

RR-3205

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
July 1999

Security	3 3/8% 10 Year Notes	3-5/8% 5-Year Notes	3-5/8% 10-Year Notes	3-5/8% 30-Year Bonds
Description	Series A 2007	Series J 2002	Series A-2008	Bonds of April 2028
CUSIP Number	9128272M3	9128273A8	9128273T7	912810FD5
Dated Date	January 15, 1997	July 15, 1997	January 15, 1998	April 15, 1998
Original Issue Date	February 6, 1997	July 15, 1997	January 15, 1998	April 15, 1998
Additional Issue Date	April 15, 1997	October 15, 1997	October 15, 1998	July 15, 1998
Maturity Date	January 15, 2007	July 15, 2002	January 15, 2008	April 15, 2028
Ref CPI on Dated Date	158.43548	160.15484	161.55484	161.74000

Date	Ref CPI	Index Ratio	Index Ratio	Index Ratio	Index Ratio
July 1 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 2 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 3 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 4 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 5 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 6 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 7 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 8 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 9 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 10 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 11 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 12 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 13 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 14 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 15 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 16 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 17 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 18 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 19 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 20 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 21 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 22 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 23 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 24 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 25 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 26 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 27 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 28 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 29 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 30 1999	166.20000	1.04901	1.03775	1.02875	1.02758
July 31 1999	166.20000	1.04901	1.03775	1.02875	1.02758

CPI-U (NSA) for : March 1999 165.0 April 1999 166.2 May 1999 166.2

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
July 1999

Security Description CUSIP Number Dated Date Original Issue Date Additional Issue Date Maturity Date Ref CPI on Dated Date		3 7/8% 10-Year Notes Series A 2009 9128274Y5 January 15, 1999 January 15, 1999 January 15, 2009 164.00000	3-7/8% 30-Year Bonds Bonds of April 2029 912810FH6 April 15, 1999 April 15, 1999 April 15, 2029 164.39333		
Date	Ref CPI	Index Ratio	Index Ratio		
July 1 1999	166.20000	1.01341	1.01099		
July 2 1999	166.20000	1.01341	1.01099		
July 3 1999	166.20000	1.01341	1.01099		
July 4 1999	166.20000	1.01341	1.01099		
July 5 1999	166.20000	1.01341	1.01099		
July 6 1999	166.20000	1.01341	1.01099		
July 7 1999	166.20000	1.01341	1.01099		
July 8 1999	166.20000	1.01341	1.01099		
July 9 1999	166.20000	1.01341	1.01099		
July 10 1999	166.20000	1.01341	1.01099		
July 11 1999	166.20000	1.01341	1.01099		
July 12 1999	166.20000	1.01341	1.01099		
July 13 1999	166.20000	1.01341	1.01099		
July 14 1999	166.20000	1.01341	1.01099		
July 15 1999	166.20000	1.01341	1.01099		
July 16 1999	166.20000	1.01341	1.01099		
July 17 1999	166.20000	1.01341	1.01099		
July 18 1999	166.20000	1.01341	1.01099		
July 19 1999	166.20000	1.01341	1.01099		
July 20 1999	166.20000	1.01341	1.01099		
July 21 1999	166.20000	1.01341	1.01099		
July 22 1999	166.20000	1.01341	1.01099		
July 23 1999	166.20000	1.01341	1.01099		
July 24 1999	166.20000	1.01341	1.01099		
July 25 1999	166.20000	1.01341	1.01099		
July 26 1999	166.20000	1.01341	1.01099		
July 27 1999	166.20000	1.01341	1.01099		
July 28 1999	166.20000	1.01341	1.01099		
July 29 1999	166.20000	1.01341	1.01099		
July 30 1999	166.20000	1.01341	1.01099		
July 31 1999	166.20000	1.01341	1.01099		

CPI-U (NSA) for : March 1999 165.0 April 1999 166.2 May 1999 166.2

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
June 15, 1999

Contact: Dan Israel
(202) 622-2960

TREASURY SECRETARY ROBERT E. RUBIN STATEMENT ON MEXICO

We welcome and support Mexico's economic program announced today in the context of the stand-by arrangement with the IMF. Mexico's firm policy response to recent economic and financial turbulence helped to preserve stability and growth over the past year, building on reforms of the past several years. Mexico's commitment to a sound economic program, supported by the IMF, should improve prospects for continued strong economic performance.

Finance officials from our two governments will continue to consult frequently about economic and financial developments in our countries over that period. Our close dialogue is facilitated by the various mechanisms we have to ensure ongoing consultation and cooperation, including the North American Financial Group, the Binational Commission, and swap line arrangements between our two countries under the North American Framework Agreement, which have been in place since 1994. In that regard, we welcome this opportunity to announce that the U.S. Treasury and the U.S. Federal Reserve have taken the decision to renew the NAFA swap lines for another year, through December 2000. Treasury and Mexico have had a swap line since the early 1940's.

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RR-3206

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Weekly Release of U.S. Reserve Assets

June 15, 1999

The Treasury Department today released U.S. reserve assets data for the week ending June 11, 1999.

As indicated in this table, U.S. reserve assets totaled $72,822 million as of June 11, 1999, up from$71,757 million as of June 4.

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

1999 Week Ending	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/	Foreign Currencies 3/ ESF	Foreign Currencies 3/ SOMA	Reserve Position in IMF 2/
June 4, 1999	**71,757**	11,049	9,728	14,666	14,668	21,646
June 11, 1999	**72,822**	11,049	*9,822*	15,047	15,049	*21,855*

1/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of April 30, 1999. The March 31, 1999 value was $11,049 million.

2/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official SDR/dollar exchange rate. Consistent with current reporting practices, IMF data for June 4, 1999 are final. Data for SDR holdings and the reserve position in the IMF shown as of June 11, 1999 (in italics) reflect preliminary adjustments by the Treasury to the June 4, 1999 IMF data.

3/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

RR-3207

federal financing bank NEWS
WASHINGTON, D.C. 20220

Press 202-622-2960
FFB 202-622-2450

FEDERAL FINANCING BANK May 31, 1999

Kerry Lanham, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of April 1999.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $41.6 billion on April 30, 1999, posting an increase of $183.6 million from the level on March 31, 1999. This net change was the result of an increase in holdings of agency debt of $381.0 million, a decrease in holdings of agency assets of $210.0 million, and an increase in holdings of agency guaranteed loans of $12.6 million. FFB made 47 disbursements during the month of April. FFB also received 17 prepayments in April.

Attached to this release are tables presenting FFB April loan activity and FFB holdings as of April 30, 1999.

RR-3208

FEDERAL FINANCING BANK
APRIL 1999 ACTIVITY

ORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
ENCY DEBT				
.S. POSTAL SERVICE				
.S. Postal Service	4/2	$600,000,000.00	4/5/99	4.617% S/A
.S. Postal Service	4/2	$220,200,000.00	4/5/99	4.553% S/A
.S. Postal Service	4/5	$100,000,000.00	4/6/99	4.565% S/A
.S. Postal Service	4/5	$900,000,000.00	4/6/99	4.565% S/A
.S. Postal Service	4/5	$51,100,000.00	4/6/99	4.524% S/A
.S. Postal Service	4/6	$100,000,000.00	4/7/99	4.553% S/A
.S. Postal Service	4/6	$675,000,000.00	4/7/99	4.553% S/A
.S. Postal Service	4/6	$5,800,000.00	4/7/99	4.545% S/A
.S. Postal Service	4/7	$550,000,000.00	4/8/99	4.524% S/A
.S. Postal Service	4/7	$75,000,000.00	4/8/99	4.545% S/A
.S. Postal Service	4/8	$340,000,000.00	4/9/99	4.545% S/A
.S. Postal Service	4/8	$135,100,000.00	4/9/99	4.523% S/A
.S. Postal Service	4/9	$365,900,000.00	4/12/99	4.543% S/A
.S. Postal Service	4/12	$227,200,000.00	4/13/99	4.441% S/A
.S. Postal Service	4/16	$200,000,000.00	4/19/99	4.420% S/A
.S. Postal Service	4/16	$356,500,000.00	4/19/99	4.460% S/A
.S. Postal Service	4/19	$500,000,000.00	4/20/99	4.440% S/A
.S. Postal Service	4/19	$456,500,000.00	4/20/99	4.482% S/A
.S. Postal Service	4/20	$400,000,000.00	4/21/99	4.460% S/A
.S. Postal Service	4/20	$303,700,000.00	4/21/99	4.503% S/A
.S. Postal Service	4/21	$300,000,000.00	4/22/99	4.482% S/A
.S. Postal Service	4/21	$288,200,000.00	4/22/99	4.482% S/A
.S. Postal Service	4/22	$100,000,000.00	4/23/99	4.503% S/A
.S. Postal Service	4/22	$348,200,000.00	4/23/99	4.523% S/A
.S. Postal Service	4/23	$504,400,000.00	4/26/99	4.553% S/A
.S. Postal Service	4/26	$249,000,000.00	4/27/99	4.597% S/A
.S. Postal Service	4/27	$37,500,000.00	4/28/99	4.628% S/A
.S. Postal Service	4/30	$200,000,000.00	5/3/99	4.638% S/A
.S. Postal Service	4/30	$424,400,000.00	5/3/99	4.678% S/A
VERNMENT - GUARANTEED LOANS				
ENERAL SERVICES ADMINISTRATION				
hamblee Office Building	4/1	$61,932,954.88	10/1/26	5.833% S/A
emphis IRS Service Cent.	4/9	$32,125.89	1/2/25	5.618% S/A
oley Services Contract	4/12	$40,373.91	7/31/25	5.643% S/A
oley Square Office Bldg.	4/14	$11,524.00	7/31/25	5.689% S/A
emphis IRS Service Cent.	4/22	$1,623,393.00	1/2/25	5.717% S/A
TC Building	4/26	$398,301.00	11/2/26	5.796% S/A
oley Services Contract	4/30	$37,382.66	7/31/25	5.725% S/A

/A is a Semi-annual rate.

FEDERAL FINANCING BANK
APRIL 1999 ACTIVITY

ORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
OVERNMENT - GUARANTEED LOANS				
DEPARTMENT OF EDUCATION				
W.Va. State College	4/19	$183,781.62	9/1/26	5.768% S/A
W.Va. State College	4/20	$20,420.18	9/1/26	5.737% S/A
RURAL UTILITIES SERVICE				
Pineland Telephone #403	4/7	$1,365,000.00	1/2/24	5.668% Qtr.
Southeastern Indiana #496	4/16	$2,000,000.00	1/3/33	5.624% Qtr.
Johnson County Elec. #482	4/19	$1,400,000.00	12/31/31	5.705% Qtr.
Maquoketa Valley #515	4/19	$1,506,000.00	12/31/29	5.714% Qtr.
Pennyrile Elec. #513	4/22	$3,500,000.00	1/3/33	5.649% Qtr.
Marshalls Energy Co. #458	4/27	$181,000.00	1/2/18	5.896% Qtr.
Excelsior Elec. #468	4/29	$1,500,000.00	12/31/31	5.713% Qtr.
Blue Ridge Elec. #512	4/30	$3,000,000.00	1/3/33	5.656% Qtr.
Sho-Me Power #480	4/30	$4,500,000.00	1/2/24	5.616% Qtr.

S/A is a Semi-annual rate: Qtr. is a Quarterly rate.

FEDERAL FINANCING BANK HOLDINGS
(in millions)

Program	April 30, 1999	March 31, 1999	Net Change 04/1-04/30/99	Fiscal Year Net Change 10/1/98-04/30/99
Agency Debt:				
USPS	$2,874.4	$2,493.4	$381.0	($2,821.7)
sub-total*	$2,874.4	$2,493.4	$381.0	($2,821.7)
Agency Assets:				
FmHA-RDIF	$3,630.0	$3,675.0	($45.0)	($45.0)
FmHA-RHIF	$8,550.0	$8,715.0	($165.0)	($950.0)
DHHS-HMO	$3.1	$3.1	$0.0	$0.0
DHHS-Medical Facilities	$7.2	$7.2	$0.0	$0.0
Rural Utilities Service-CBO	$4,598.9	$4,598.9	$0.0	$0.0
sub-total*	$16,789.2	$16,999.2	($210.0)	($995.0)
Government-Guaranteed Lending:				
DOD-FMS	$2,718.5	$2,721.2	($2.7)	($110.5)
DoEd-HBCU+	$7.6	$7.4	$0.2	$3.0
DHUD-Community Dev. Block Grant	$15.2	$15.2	$0.0	($15.2)
DHUD-Public Housing Notes	$1,419.9	$1,419.9	$0.0	($71.5)
General Services Administration+	$2,445.0	$2,445.0	$0.1	($28.1)
DOI-Virgin Islands	$16.5	$16.5	$0.0	($1.0)
DON-Ship Lease Financing	$1,138.7	$1,138.7	$0.0	($86.2)
Rural Utilities Service	$13,998.7	$13,979.8	$19.0	($167.7)
SBA-State/Local Development Cos.	$209.6	$213.5	($3.9)	($23.8)
DOT-Section 511	$3.8	$3.8	$0.0	($0.1)
sub-total*	$21,973.6	$21,961.0	$12.6	($501.1)
grand total*	$41,637.2	$41,453.6	$183.6	($4,317.8)

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 2:30 P.M.
June 16, 1999

CONTACT: Office of Financing
202/691-3550

TREASURY TO AUCTION $15,000 MILLION OF 2-YEAR NOTES

The Treasury will auction $15,000 million of 2-year notes to refund $28,479 million of publicly held securities maturing June 30, 1999, and to pay down about $13,479 million.

In addition to the public holdings, Federal Reserve Banks hold $2,484 million of the maturing securities for their own accounts, which may be refunded by issuing an additional amount of the new security.

The maturing securities held by the public include $3,520 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $721 million into the 2-year note.

The auction will be conducted in the single-price auction format. All competitive and noncompetitive awards will be at the highest yield of accepted competitive tenders.

The notes being offered today are eligible for the STRIPS program.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

Details about the new security are given in the attached offering highlights.

oOo

Attachment

RR-3209

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF 2-YEAR NOTES TO BE ISSUED JUNE 30, 1999

June 16, 1999

Offering Amount ....$15,000 million

Description of Offering:
Term and type of security ....2-year notes
Series Z-2001
CUSIP number 912827 5J 7
Auction date ....June 23, 1999
Issue date ....June 30, 1999
Dated date ....June 30, 1999
Maturity date ....June 30, 2001
Interest rate ....Determined based on the highest accepted competitive bid
Yield ....Determined at auction
Interest payment dates ....December 31 and June 30
Minimum bid amount and multiples $1,000
Accrued interest payable by investor ......None
Premium or discount ....Determined at auction

STRIPS Information:
Minimum amount required ....Determined at auction
Corpus CUSIP number ....912820 DX 2
Due date(s) and CUSIP number(s) for additional TINT(s) ....Not applicable

Submission of Bids:
Noncompetitive bids: Accepted in full up to $5,000,000 at the highest accepted yield.
Competitive bids:
(1) Must be expressed as a yield with three decimals, e.g., 7.123%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield ...... 35% of public offering
Maximum Award .... 35% of public offering

Receipt of Tenders:
Noncompetitive tenders: Prior to 12:00 noon Eastern Daylight Saving time on auction day.
Competitive tenders: Prior to 1:00 p.m. Eastern Daylight Saving time on auction day.

Payment Terms: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 10 A.M. EDT
Text as Prepared for Delivery
June 17, 1999

TREASURY DEPUTY SECRETARY LAWRENCE H. SUMMERS NOMINEE FOR SECRETARY OF THE TREASURY SENATE FINANCE COMMITTEE

Chairman Roth, Ranking Member Moynihan, members of this Committee, I am grateful for the opportunity to appear before you again, today in connection with my nomination to be Secretary of the Treasury. I am greatly honored by the trust in me that the President has demonstrated by nominating me to follow in the distinguished tradition at Treasury of Lloyd Bentsen and Bob Rubin.

For the past six and a half years, I have served at the Treasury Department. From 1993 until 1995, I served under Secretary Bentsen as Under Secretary for International Affairs, where my focus was on international financial issues. For the past 4 years, I have served as Secretary Rubin's deputy. In that capacity I have participated in the formulation of the Administration's economic and budget strategy and worked on Treasury priorities – ranging from debt management, to protecting the nation's borders – as well as continuing to work actively on international issues.

It has been an immense privilege for me to work with President Clinton and the other members of his economic team, with the Federal Reserve, with this Committee and with others in Congress to put in place a core economic strategy for this country. That strategy has been based on macro-economic stability and achieving fiscal discipline. It has been based on making critical public investments, particularly investments in people, in education especially. It has been based on a recognition of America's interest in open markets and stable growth around the world.

Mr. Chairman, while important challenges remain and we in the United States can never afford to be complacent, the strength of the American economy in recent years stands out. Powered by the initiative and enterprise of the American people and our market system we are enjoying the lowest rates of inflation and unemployment in a generation. We have seen the restoration of American economic leadership around the world. And most important of all, for the past several years we have seen the fastest growth in real earnings of American workers in 25 years.
RR-3210

We can all acknowledge the remarkable contribution that Secretary Rubin has made to our economy over the past six and a half years. At Treasury the right course has been set. Our challenge will be to carry on.

If confirmed as Secretary I will focus on five priority objectives:

- First, maintaining a strong economic strategy, based on continued fiscal discipline and the use of this moment of opportunity to address the long-terms problems facing Social Security and Medicare.

- Second, ensuring that a strong economy translates into growth in the living standards of American workers and their families, and that no part of this country or group of Americans is left behind.

- Third, building the strong, stable and growing global economy on which American prosperity and security ultimately depends, while at the same time working to ensure that global integration benefits American workers, farmers and businesses.

- Fourth, striving to ensure that the American financial system is as safe, competitive and efficient as possible in meeting the needs of American consumers and businesses.

- Fifth, supporting the tradition of excellence and integrity in the career staff of the Treasury Department and its Bureaus that I have come to so much admire during my six and a half years at the Department.

Mr. Chairman, it has been by privilege both as Under Secretary and as Deputy Secretary to work with this committee on many issues. If confirmed I look forward to working even more closely with you in the future and with others in Congress on the full range of challenges that we face.

Thank you once again, Mr. Chairman, for bringing me before this committee. Now I would be pleased to respond to any questions that you or members of the Committee may have.

-30-

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
June 17, 1999

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK, 26-WEEK, AND 52-WEEK BILLS

The Treasury will auction three series of Treasury bills totaling approximately $25,000 million to refund $24,246 million of publicly held securities maturing June 24, 1999, and to raise about $754 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $11,359 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $4,616 million held by Federal Reserve Banks as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the highest discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $3,314 million of the original 13- and 26-week issues, and $1,302 million of the original 52-week issue.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $921 million into the 13-week bill, $648 million into the 26-week bill, and $561 million into the 52-week bill.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

oOo

RR-3211

Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED JUNE 24, 1999

June 17, 1999

Offering Amount	$7,500 million	$7,500 million	$10,000 million
Description of Offering:			
Term and type of security	91-day bill	182-day bill	364-day bill
CUSIP number	912795 CP 4	912795 CZ 2	912795 EB 3
Auction date	June 21, 1999	June 21, 1999	June 22, 1999
Issue date	June 24, 1999	June 24, 1999	June 24, 1999
Maturity date	September 23, 1999	December 23, 1999	June 22, 2000
Original issue date	March 25, 1999	June 24, 1999	June 24, 1999
Currently outstanding	$11,085 million	---	---
Minimum bid amount and multiples	$1,000	$1,000	$1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids ...... Accepted in full up to $1,000,000 at the highest discount rate of accepted competitive bids.

Competitive bids .... (1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 7.100%, 7.105%.

(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $1 billion or greater.

(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield .... 35% of public offering

Maximum Award .... 35% of public offering

Receipt of Tenders:

Noncompetitive tenders ... Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders ...... Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms .... By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
June 21, 1999

CONTACT: Maria Ibanez
(202) 622-2960

UNITED STATES AND SLOVENIA SIGN NEW INCOME TAX TREATY

The Treasury Department today announced that U.S. Ambassador Nancy Ely-Raphel and Slovenian Ministry of Finance State Secretary Milojka Kolar-Celarc signed a new income tax treaty between the United States and Slovenia in connection with President Clinton's visit to Ljubljana. This treaty, if ratified, will be the first between the United States and a country in the former area of Yugoslavia.

"Slovenia has made astounding progress in the transition from a closed economy to an open one," said Assistant Secretary for Tax Policy, Donald C. Lubick. "This treaty demonstrates that we are willing to act quickly to establish a treaty relationship with newly-industrialized countries when they have made the necessary progress and preparations."

The proposed treaty with Slovenia generally follows the pattern of the 1996 U.S. Model Tax Convention, while incorporating some provisions found in recent U.S. treaties with other developing countries and in the Organization for Economic Cooperation and Development (OECD) Model. As with all bilateral tax treaties there are some variations. In the proposed treaty, these differences reflect particular aspects of Slovenian law and treaty policy, the interaction of U.S. and Slovenian law and U.S.-Slovenian economic relations.

The proposed treaty is subject to ratification and will enter into force upon the exchange of instruments of ratification. It will have effect, with respect to taxes withheld at source, for amounts paid or credited on or after the first day of the third month following the date the treaty enters into force. In other cases the treaty will have effect with respect to taxable years beginning on or after the first day of January following the date on which the treaty enters into force.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 9:00 A.M. EDT

Remarks as Prepared for Delivery

June 21, 1999

**TREASURY UNDER SECRETARY FOR ENFORCEMENT JAMES E. JOHNSON
TESTIMONY BEFORE THE SENATE CAUCUS
ON INTERNATIONAL NARCOTICS CONTROL**

Mr. Chairman and members of the Caucus, thank you for the opportunity to discuss what law enforcement believes to be one of the most insidious forms of drug money laundering, the Colombian Black Market Peso Exchange (BMPE). This system of laundering drug proceeds has been used by Colombia's drug syndicates for a number of years.

Mr. Chairman, I would again like to thank you, this Caucus, and other concerned officials for your leadership and efforts on this vital matter. Your vigilance has helped the federal government maintain the BMPE as a major target of its anti-money laundering efforts. In addition, I would like to thank you personally for your unflagging support of our overall counter-drug efforts, particularly those of the U.S. Customs Service.

As this Caucus is well aware, international crime constitutes a national security threat. It also is a threat brought home to us directly – on our streets, in our schools, and within our communities. Such crime, particularly as it relates to drugs, is the work of international criminal enterprises.

Money laundering is critical to the survival and growth of these organizations. As President Clinton remarked to the United Nations on the fiftieth anniversary of its creation:

> We must not allow criminals to wash the blood off profits from the sale of drugs, from terror or organized crime. Together we must say ... to organized criminals, terrorists, drug traffickers and smugglers, you have nowhere to run and nowhere to hide.

RR-3214

At the same time, following the money trail is an effective means of attacking the organizations. Indeed, if money laundering is the "life blood" of crime, it is also, as Secretary Rubin has observed, "the Achilles heel, as it gives us a way to attack the leaders of criminal organizations." So it is with the BMPE and its link to the Colombian drug traffickers. An attack on the BMPE -- one of the systems sustaining Colombian drug cartels -- constitutes an attack on the cartels themselves. Our gains against this money laundering system ultimately mean fewer drugs on our streets, less drug-related violence, and more lives saved.

We have taken several steps designed to enhance our efforts in this fight. We have worked to design and implement smart and tough law enforcement initiatives focused specifically on the BMPE system. Our efforts have resulted in successful cases and significant seizures. We look to further build upon these efforts through close cooperation with our international partners, including the Government of Colombia, as well as outreach to and a partnership with the private sector. I will provide you with a detailed accounting regarding these efforts below, but briefly summarized, they include:

Continuing to make solid cases against BMPE participants at every "choke point" of the system;

Improving, through an inter-agency working group, coordination of and consultation on law enforcement operations directed at the BMPE;

Improving international cooperation, by enlisting the collaboration of foreign governments, particularly Colombia; and

Establishing partnerships with the private sector by reaching out to the U.S. and international business communities.

In order to place the foregoing initiatives in their proper context, I would like to take a few moments to briefly summarize the operations of the system itself.

Colombian Black Market Peso Exchange System

To the best of our knowledge, the BMPE is the largest continuing money laundering system in the Western Hemisphere. Anecdotal U.S. law enforcement evidence and estimates from Colombian customs authorities indicate that the system may be responsible for laundering as much as $5 billion annually.

The BMPE first was created in the 1950s when importers, attempting to avoid the requirements of Colombian law, including taxes and duties, began buying U.S. dollars on the black market. Then, as now, Colombian importers needed large amounts of U.S. dollars to purchase foreign goods for domestic sale. Access to U.S. dollars that Colombian importers need, however, is regulated by Colombian law and administered by the country's central bank. Before the Colombian central bank converts pesos to dollars it requires that the importer certify that necessary import permits have been obtained and that duties and taxes have been paid.

As Colombian drug trafficking became prevalent, the traffickers soon recognized the value of this system. Indeed, there are now three principal groups making use of the BMPE and on whom we continue to focus: drug traffickers who makes millions of U.S. dollars off sales of his poison, peso brokers who converts the illicit dollars into usable Colombian pesos, and Colombian importers who provide the Colombian pesos to the peso broker in exchange for the U.S. dollars.

Alvin James of the Financial Crimes Enforcement Network (FinCEN) will provide much greater detail on the process, but the following briefly summarizes the BMPE in the drug context: Colombian drug traffickers' proceeds from the sale of drugs are in U.S. dollars and are located in the U.S. The traffickers sell these dollars to black market Colombian peso brokers, who have operatives in the U.S. Once the peso broker takes possession of the currency in the U.S., the trafficker receives the agreed upon amount as pesos, discounted by as much as 25 percent. The size of the commission reflects the risks incurred by the peso broker, who must place the cash in the U.S. financial system despite the reporting and record-keeping requirements of the Bank Secrecy Act (BSA). At this point, having received the pesos and transferred the money laundering burden to the broker, the drug trafficker steps out of the laundering process.

Once the peso broker owns the U.S. currency, his goal is to quickly resell the dollars at a profit. The peso broker's customer is often a Colombian importer who wants U.S. dollars to engage in international trade. The importers who use the peso brokers intend to smuggle their goods into Colombia.

The Colombian importer usually wants the dollars in a more manageable and less conspicuous form than currency. To accommodate the importer, the peso broker's first task is to place most of the U.S. currency in the U.S. financial system. As noted above, such placement must be accomplished in ways that minimize the chances of detection in light of the BSA reporting and record-keeping requirements: structuring below the currency reporting threshold, commingling drug money with legitimate currency deposits of a business, or outbound smuggling of the currency which is then placed in a foreign financial institution and then returned to the United States.

The Colombian importer pays for the dollars by providing pesos to the broker in Colombia. The peso broker then transfers the dollars at the instruction of the importer to the merchant providing goods to the smuggler. The merchant is often in the United States, but also may be in other places that commonly do business with Colombia. Once the dollars are placed in a merchant's account, proof of their nexus to a narcotics transaction becomes much more difficult. Unless there is proof that the merchant had knowledge of the laundering scheme, he may claim to be an innocent owner, and the drug dollars become an indistinguishable element of general commerce.

It is important to note that just as money laundering generally is a global problem, so too is the BMPE. Indeed, the businesses that are being paid by or at the direction of the dollar/peso broker are not limited to one particular country. Through our undercover and other enforcement operations, we have learned of money laundering activities involving the BMPE in countries in Asia and Europe, as well as the United States.

Our Response

As noted, our response to the BMPE has three main components: tough and smart law enforcement; international cooperation; and outreach to the private sector. This overall program has been developed and is being overseen by the recently formed Black Market Peso Exchange Working Group.

The BMPE Working Group

Building on the work of other coordinating mechanisms, including the Interagency Coordination Group, the BMPE Working Group brings together the tools of Treasury's and Justice's enforcement bureaus and the regulatory agencies. This effort ensures that we use all available resources to mount a comprehensive attack against the BMPE system as a whole.

The BMPE Working Group integrates law enforcement and regulatory efforts with intelligence data support. In addition to Treasury's law enforcement bureaus and agencies (Customs, IRS-CID, the Bureau of Alcohol, Tobacco and Firearms, the Office of the Comptroller of the Currency, FinCEN, and the Office of Foreign Assets Control), the BMPE Working Group includes: the Department of Justice; the Drug Enforcement Administration (DEA), the Federal Bureau of Investigation (FBI), the National Drug Intelligence Center (NDIC), the Federal Reserve Board, and the United States Postal Inspection Service.

With such wide participation, the BMPE Working Group helps ensure that all available legal and regulatory tools are used in a comprehensive attack against the BMPE. The participation of the Department of Justice ensures that all strategic initiatives designed and implemented by the BMPE Working Group are legally sound. Participation of FinCEN and NDIC ensures that Bank Secrecy Act information, including suspicious activity reports, and other data are thoroughly analyzed. The federal bank regulatory agencies ensure that information developed by the Working Group that helps identify suspicious activity related to the BMPE is communicated to financial institutions, which then will be better able to identify and report such suspicious activity to law enforcement. Finally, the participation of Customs, IRS, DEA, and FBI ensure that their investigative resources and talents are used effectively and in a coordinated manner.

The BMPE Working Group helps provide each of the participating agencies information available through others, as well as means of accessing such information. Additionally, and in coordination with Fanny Kertzman, the Director of Colombia's Revenue and Customs Service (DIAN), it has created an analytical subgroup devoted to the analysis of shared information, including that received from Colombian authorities. This subgroup, composed of representatives from FinCEN, Customs, Justice, the IRS, OFAC, and NDIC, will join their counterparts in a bilateral task force initiative in Colombia to review, analyze, and discuss specific data that may further the investigation and prosecution of cases against the BMPE. For this and other reasons, am particularly pleased that DIAN Director Kertzman is here with us today and look forward to hearing her confirmation that this task force will meet in Bogotá in the very near future.

Our interagency work at home and abroad complements other resources. Customs, for example, in coordination with FinCEN, has recently established a national Money Laundering Coordination Center (MLCC) which will help coordinate the intelligence generated from undercover operations targeting the BMPE conducted by Customs and other participating agencies. Customs expects the Center to be fully operational by December of this year. Customs also has employed the "Numerically Integrated Profiling System" (NIPS), that has historically been used to identify trade fraud and related anomalies, in an effort to identify export commodities and businesses that are a part of the Colombian Black Market Peso Exchange system.

Smart and Tough Enforcement of Laws

A system this complex requires a comprehensive response that combines all resources available to law enforcement and regulators. Since the early 1980's, we have successfully investigated and prosecuted individuals laundering drug proceeds through the BMPE. The U.S. Customs Service reports that over the past eight years alone, its undercover operations have led to the seizure of $800 million in cash and monetary instruments, 2,100 arrests, and the seizure of over 100,000 pounds of cocaine. These figures include two of the largest single seizures of cash in the history of federal law enforcement, $22 million in Operation CASACAM in Miami and $15 million in Operation Omega in Los Angeles.

In addition, the Internal Revenue Service's Criminal Investigation Division has investigated approximately 250 cases directly involving the BMPE. The investigations revealed the wide range of businesses that, through import and export activities (in those cases, of auto, truck, and airplane parts) can be exploited by the BMPE.

International Cooperation

Notwithstanding certain investigative successes, the BMPE continues its operations. Further gains depend greatly on extending this fight to the international arena. This is fitting, since the BMPE is a serious international threat. The business community in Colombia has suffered serious market loss because of the BMPE system that essentially fuels the Colombian contraband market. This contraband market, largely financed by drug money, offers goods at subsidized prices, courtesy of the narcotics traffickers.

There is growing recognition among governments that they must deal firmly and effectively with elusive, sophisticated and well-financed criminals. Integral to our anti-BMPE efforts is working more closely with such governments in developing an effective response to the threat of money laundering. We must strive to improve bilateral and multilateral cooperation and information exchange.

To further this goal, Treasury has had several high-level discussions with Colombian officials over the past nine months. In September 1998, Secretary Rubin, Deputy Secretary Summers, and I met with President Pastrana, who committed to work with U.S. authorities on the issue. Deputy Secretary Summers and I followed up on this discussion by meeting in October with the Colombian ambassador, with whom I have had several additional conversations since. In addition, Ms. Kertzman has met with me and several U.S. officials on more than one occasion over the past year.

In addition, the Departments of Treasury and Justice co-chaired two days of talks with senior officials from Colombia's Customs, Foreign Trade, and Banking Superintendence offices on BMPE and what steps each could take separately and collectively to combat the problem. These informal discussions represented an important breakthrough, ushering in a number of cooperative initiatives and programs important to law enforcement efforts in both countries. The United States has begun similar work with governments and officials from the free trade zones of Aruba and Panama. Bringing together all of these key players in order to bring the collective weight of our resources, experiences, and efforts to bear on this money laundering system is integral to our BMPE strategy.

The United States also is promoting several multilateral initiatives through organizations such as the Financial Action Task Force (FATF).[1] FATF brings legal, financial and law enforcement experts into the policy making process. The BMPE action plan intends to build on such anti-money laundering programs by proposing expansion of the process to incorporate trade and business representatives and focus upcoming meetings on trade related money laundering. In addition, the United States is working with regional organizations, such as the Caribbean Financial Action Task Force, to focus attention on free trade zones and the extent to which businesses are being used for, or are facilitating money laundering.

Partnerships with the Private Sector

Finally, we will enlist the private sector in this fight. All of the Treasury law enforcement bureaus have traditionally furthered their missions through outreach and partnerships to relevant private sector interests. Our fight against the BMPE is no different. The first step in forming this partnership with the private sector must be to engage the public and business community on the essential aspects of the BMPE. FinCEN took an important first step in July 1997, by initiating a series of meetings with local and national banks in the Miami area. In these meetings, FinCEN shared information that could help banks identify suspicious activity related to BMPE. We also received invaluable information from the banking community regarding its view of this problem.

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[1] The FATF was established by G-7 Heads of State in 1989 and is now composed of 26 member countries, whose purpose is to develop and promote standards and policies to combat money laundering.

These meetings culminated in a FinCEN advisory describing the BMPE to the law enforcement and financial communities.

We are seeing results from these outreach efforts to the private sector. For example, suspicious activity reports (SARs) being filed by financial institutions specifically addressing the BMPE have increased from 27 in 1997 to 118 in 1998. As of mid-June 1999, 98 SARs have been filed citing the BMPE.

Moving forward, this collaboration with the private sector will be vital. It reduces the risks that business and financial institutions are inadvertently facilitating the BMPE. It also provides policy makers with the benefit of private sector experience and expertise while assuring that policies reflect and meet the private sector's needs and concerns.

Indeed, this is a two-way process. Companies and industries need to know that their otherwise standard business activities are being used by some to further the BMPE, that their goods may be financed by narco-dollars, and that their goods are illegally smuggled into Colombia and sold at substantially lower prices driving out legitimate businesses. We in turn would like to hear from the business community as to what procedures they have or can put in place to make sure that they are not used in this way.

As a part of our effort to work with the business community, U.S. Customs is launching a national campaign today, alerting businesses to the BMPE system and its indicators. FinCEN is issuing a follow-up to its 1997 Advisory that updates the financial community on what we have learned as a result of recent regulatory measures. I will have an opportunity to discuss these advisories further next week, when I speak the 1999 annual meeting of the Association of Home Appliance Manufacturers.

Our efforts are not -- and cannot -- be limited to the U.S. business community. The BMPE involves businesses not only in the U.S. and Colombia, but also in Asia, Europe and other parts of the America. We intend to engage the international business community, bilaterally as we have done in Colombia, and multilaterally. We are pursuing the expansion of FATF participation to the international business community just as it was expanded to the banking community. We are supporting a CFATF meeting that will specifically address free trade zone issues and money laundering. We also intend to pursue a broader alliance against BMPE with other regional international organizations such as the Asia Pacific Group on Money Laundering.

CONCLUSION

In conclusion, Mr. Chairman, I would like to reiterate the Caucus' contribution toward our country's understanding of one of its most serious national security threats -- drug money laundering.

I believe that our strategy will help make significant inroads against the BMPE system. We have much work ahead of us and will continue to consult with other agencies and Congress as we pursue this mission. I would be happy to answer any questions you and or the other Members may have. Thank you.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Weekly Release of U.S. Reserve Assets

June 22, 1999

The Treasury Department today released U.S. reserve assets data for the week ending June 18, 1999.

As this table indicates, U.S. reserve assets totaled $72,087 million as of June 18, 1999, down from$72,739 million as of June 11.

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

1999 Week Ending	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/	Foreign Currencies 3/ ESF	Foreign Currencies 3/ SOMA	Reserve Position in IMF 2/
June 11, 1999	72,739	11,049	9,796	15,047	15,049	21,798
June 18, 1999	72,087	11,049	*9,750*	14,795	14,796	*21,696*

1/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of April 30, 1999. The March 31, 1999 value was $11,049 million.

2/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official SDR/dollar exchange rate. Consistent with current reporting practices, IMF data for June 11, 1999 are final. Data for SDR holdings and the reserve position in the IMF shown as of June 18, 1999 (in italics) reflect preliminary adjustments by the Treasury to the June 11, 1999 IMF data.

3/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

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PUBLIC DEBT NEWS
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TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
June 21, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	June 24, 1999
Maturity Date:	September 23, 1999
CUSIP Number:	912795CP4

High Rate: 4.610% Investment Rate 1/: 4.741% Price: 98.835

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 12%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 24,615,659	$ 6,033,639
Noncompetitive	1,297,416	1,297,416
PUBLIC SUBTOTAL	25,913,075	7,331,055 2/
Foreign Official Refunded	180,918	180,918
SUBTOTAL	26,093,993	7,511,973
Federal Reserve	3,364,235	3,364,235
Foreign Official Add-On	9,082	9,082
TOTAL	$ 29,467,310	$ 10,885,290

Median rate 4.595%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 4.530%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 25,913,075 / 7,331,055 = 3.53

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,003,982,000

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PUBLIC DEBT NEWS

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TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
June 21, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	June 24, 1999
Maturity Date:	December 23, 1999
CUSIP Number:	912795CZ2

High Rate: 4.850% Investment Rate 1/: 5.055% Price: 97.548

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 84%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 22,568,968	$ 3,872,843
Noncompetitive	1,004,997	1,004,997
PUBLIC SUBTOTAL	23,573,965	4,877,840 2/
Foreign Official Refunded	2,632,738	2,632,738
SUBTOTAL	26,206,703	7,510,578
Federal Reserve	3,425,000	3,425,000
Foreign Official Add-On	132,262	132,262
TOTAL	$ 29,763,965	$ 11,067,840

Median rate 4.850%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 4.750%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 23,573,965 / 4,877,840 = 4.83

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $717,246,000

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 10 A.M. EDT
Text as Prepared for Delivery
June 22, 1999

TREASURY DEPUTY SECRETARY LAWRENCE H. SUMMERS NOMINEE FOR SECRETARY OF THE TREASURY STATEMENT BEFORE THE SENATE BANKING COMMITTEE

Chairman Gramm, Ranking Member Sarbanes, members of this committee, I am grateful for the opportunity to appear before you again, today in connection with my nomination to be Secretary of the Treasury. I am greatly honored by the trust in me that the President has demonstrated by nominating me to follow in the distinguished tradition at Treasury of Lloyd Bentsen and Bob Rubin.

For the past six and a half years, I have served at the Treasury Department. From 1993 until 1995, I served under Secretary Bentsen as Under Secretary for International Affairs, where my focus was on international financial issues. For the past 4 years, I have served as Secretary Rubin's deputy. In that capacity I have participated in the formulation of the Administration's economic and budget strategy and worked on Treasury priorities - ranging from debt management, to protecting the nation's borders - as well as continuing to work actively on international issues.

It has been an immense privilege for me to work with President Clinton and the other members of his economic team, with the Federal Reserve, with this Committee and with others in Congress to put in place a core economic strategy for this country. That strategy has been based on macro-economic stability and achieving fiscal discipline. It has been based on making critical public investments, particularly investments in people, in education especially. It has been based on a recognition of America's interest in open markets and stable growth around the world.

Mr. Chairman, while important challenges remain and we in the United States can never afford to be complacent, the strength of the American economy in recent years stands out. Powered by the initiative and enterprise of the American people and our market system we are enjoying the

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lowest rates of inflation and unemployment in a generation. We have seen the restoration of American economic leadership around the world. And most important of all, for the past several years we have seen the fastest growth in real earnings of American workers in 25 years.

We can all acknowledge the remarkable contribution that Secretary Rubin has made to our economy over the past six and a half years. At Treasury the right course has been set. Our challenge will be to carry on.

If confirmed as Secretary I will focus on five priority objectives:

- First, maintaining a strong economic strategy, based on continued fiscal discipline and the use of this moment of opportunity to address the long-term problems facing Social Security and Medicare.

- Second, ensuring that a strong economy translates into growth in the living standards of American workers and their families, and that no part of this country or group of Americans is left behind.

- Third, building the strong, stable and growing global economy on which American prosperity and security ultimately depends, while at the same time working to ensure that global integration benefits American workers, farmers and businesses.

- Fourth, striving to ensure that the American financial system is as safe, competitive and efficient as possible in meeting the needs of American consumers and businesses.

- Fifth, supporting the tradition of excellence and integrity in the career and political staff of the Treasury Department and its Bureaus that I have come to so much admire during my six and a half years at the Department.

Mr. Chairman, it has been by privilege both as Under Secretary and as Deputy Secretary to work with this committee on many issues. If confirmed Stu Eizenstat and I look forward to working even more closely with you in the future and with others in Congress on the full range of challenges that we face.

Thank you once again, Mr. Chairman, for bringing me before this committee. Now I would be pleased to respond to any questions that you or members of the Committee may have.

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PUBLIC DEBT NEWS

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TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
June 22, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Term:	364-Day Bill
Issue Date:	June 24, 1999
Maturity Date:	June 22, 2000
CUSIP Number:	912795EB3

High Rate: 4.890% Investment Rate 1/: 5.163% Price: 95.056

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 12%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 21,721,684	$ 7,767,674
Noncompetitive	940,964	940,964
PUBLIC SUBTOTAL	22,662,648	8,708,638 2/
Foreign Official Refunded	1,302,000	1,302,000
SUBTOTAL	23,964,648	10,010,638
Federal Reserve	4,570,000	4,570,000
Foreign Official Add-On	268,000	268,000
TOTAL	$ 28,802,648	$ 14,848,638

Median rate 4.860%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 4.750%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 22,662,648 / 8,708,638 = 2.60

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $664,669,000

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TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
June 23, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Interest Rate:	5 3/4%	Issue Date:	June 30, 1999
Series:	Z-2001	Dated Date:	June 30, 1999
CUSIP No:	9128275J7	Maturity Date:	June 30, 2001
STRIPS Minimum:	$800,000		

High Yield: 5.754% Price: 99.993

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 72%. All tenders at lower yields were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 24,173,147	$ 13,465,447
Noncompetitive	1,536,067	1,536,067
PUBLIC SUBTOTAL	25,709,214	15,001,514 1/
Federal Reserve	2,484,255	2,484,255
Foreign Official Inst.	1,500,000	1,500,000
TOTAL	$ 29,693,469	$ 18,985,769

Median yield 5.725%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 5.650%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 25,709,214 / 15,001,514 = 1.71

1/ Awards to TREASURY DIRECT = $973,718,000

http://www.publicdebt.treas.gov

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
June 24, 1999

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction two series of Treasury bills totaling approximately $15,000 million to refund $14,040 million of publicly held securities maturing July 1, 1999, and to raise about $960 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $7,207 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts issued to these accounts will be in addition to the offering amount.

The maturing bills held by the public include $2,601 million held by Federal Reserve Banks as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the highest discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $892 million into the 13-week bill and $705 million into the 26-week bill.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D.C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

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

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RR-3221

Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED JULY 1, 1999

June 24, 1999

Offering Amount	$7,500 million	$7,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 CQ 2	912795 DA 6
Auction date	June 28, 1999	June 28, 1999
Issue date	July 1, 1999	July 1, 1999
Maturity date	September 30, 1999	December 30, 1999
Original issue date	April 1, 1999	July 1, 1999
Currently outstanding	$11,649 million	---
Minimum bid amount and multiples	$1,000	$1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids .... Accepted in full up to $1,000,000 at the highest discount rate of accepted competitive bids.

Competitive bids .... (1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 7.100%, 7.105%.

(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $1 billion or greater.

(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield .... 35% of public offering

Maximum Award.................. 35% of public offering

Receipt of Tenders:

Noncompetitive tenders ...... Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders .... Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms: By charge to a funds account at a Federal Reserve Bank on issue date, or payment of full par amount with tender. *TreasuryDirect* customers can use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

federal financing bank NEWS
WASHINGTON, D.C. 20220
Press 202-622-2960
FFB 202-622-2450

FEDERAL FINANCING BANK June 24, 1999

Kerry Lanham, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of May 1999.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $41.1 billion on May 31, 1999, posting a decrease of $506.1 million from the level on April 30, 1999. This net change was the result of a decrease in holdings of agency debt of $141.2 million, in holdings of agency assets of $340.0 million, and in holdings of agency guaranteed loans of $24.9 million. FFB made 38 disbursements during the month of May. FFB also received 30 prepayments in May.

Attached to this release are tables presenting FFB May loan activity and FFB holdings as of May 31, 1999.

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FEDERAL FINANCING BANK
MAY 1999 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
AGENCY DEBT				
U.S. POSTAL SERVICE				
U.S. Postal Service	5/3	$450,000,000.00	5/4/99	4.638% S/A
U.S. Postal Service	5/3	$457,900,000.00	5/4/99	4.742% S/A
U.S. Postal Service	5/4	$300,000,000.00	5/5/99	4.678% S/A
U.S. Postal Service	5/4	$317,900,000.00	5/5/99	6.942% S/A
U.S. Postal Service	5/5	$429,400,000.00	5/6/99	4.732% S/A
U.S. Postal Service	5/6	$227,100,000.00	5/7/99	4.742% S/A
U.S. Postal Service	5/7	$97,100,000.00	5/10/99	4.740% S/A
U.S. Postal Service	5/14	$316,900,000.00	5/17/99	4.761% S/A
U.S. Postal Service	5/17	$350,000,000.00	5/18/99	4.710% S/A
U.S. Postal Service	5/17	$304,200,000.00	5/18/99	4.836% S/A
U.S. Postal Service	5/18	$200,000,000.00	5/19/99	4.761% S/A
U.S. Postal Service	5/18	$256,800,000.00	5/19/99	4.784% S/A
U.S. Postal Service	5/19	$401,200,000.00	5/20/99	4.753% S/A
U.S. Postal Service	5/20	$258,800,000.00	5/21/99	4.731% S/A
U.S. Postal Service	5/21	$221,900,000.00	5/24/99	4.730% S/A
U.S. Postal Service	5/24	$48,400,000.00	5/25/99	4.763% S/A
U.S. Postal Service	5/28	$200,000,000.00	6/1/99	4.784% S/A
U.S. Postal Service	5/28	$283,200,000.00	6/1/99	4.781% S/A
GOVERNMENT - GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Chamblee Office Building	5/14	$515,854.42	10/1/26	5.932% S/A
Foley Services Contract	5/17	$382,318.14	7/31/25	6.108% S/A
Foley Services Contract	5/17	$269,407.05	7/31/25	6.108% S/A
Foley Services Contract	5/17	$207,687.05	7/31/25	6.108% S/A
Foley Square Office Bldg.	5/17	$8,577.00	7/31/25	6.108% S/A
ICTC Building	5/25	$180,479.30	11/2/26	6.004% S/A
Memphis IRS Service Cent.	5/26	$18,859.75	1/2/25	60000% S/A
DEPARTMENT OF EDUCATION				
Tougaloo College	5/14	$480,912.73	9/4/29	5.805% S/A
Tougaloo College	5/14	$903,420.87	9/1/09	5.389% S/A
Bethune Cookman	5/24	$32,667.92	9/1/27	6.006% S/A
W.Va. State College	5/24	$40,694.83	9/1/26	6.013% S/A
W.Va. State College	5/24	$341,509.71	9/1/26	6.013% S/A

S/A is a Semiannual rate.

FEDERAL FINANCING BANK
MAY 1999 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL UTILITIES SERVICE				
Arizona Electric #427	5/7	$3,953,000.00	12/31/20	5.920% Qtr.
Altamaha Elec. #467	5/10	$1,500,000.00	12/31/31	5.960% Qtr.
Beaver Creek Coop. #391	5/10	$303,000.00	12/31/13	5.653% Qtr.
Jackson Energy #527	5/11	$3,000,000.00	7/2/01	5.259% Qtr.
United Elec. #519	5/21	$2,000,000.00	10/1/29	5.997% Qtr.
Citizens Elec. #529	5/25	$2,920,000.00	7/2/29	5.942% Qtr.
Mountain Parks Elec. #397	5/26	$1,173,000.00	6/30/00	4.954% Qtr.
Colton Tele. #526	5/28	$347,425.00	12/31/13	5.784% Qtr.

Qtr. is a Quarterly rate.

FEDERAL FINANCING BANK HOLDINGS
(in millions of dollars)

Program	May 31, 1999	April 30, 1999	Monthly Net Change 5/1/99- 5/31/99	Fiscal Year Net Change 10/1/98- 5/31/99
Agency Debt:				
U.S. Postal Service	2,733.2	2,874.4	-141.2	-2,962.9
Subtotal*	2,733.2	2,874.4	-141.2	-2,962.9
Agency Assets:				
FmHA-RDIF	3,565.0	3,630.0	-65.0	-110.0
FmHA-RHIF	8,275.0	8,550.0	-275.0	-1,225.0
DHHS-HMO	3.1	3.1	0.0	0.0
DHHS-Medical Facilities	7.2	7.2	0.0	0.0
Rural Utilities Service-CBO	4,598.9	4,598.9	0.0	0.0
Subtotal*	16,449.2	16,789.2	-340.0	-1,335.0
Government-Guaranteed Lending:				
DOD-Foreign Military Sales	2,705.8	2,718.5	-12.7	-123.2
DoEd-HBCU+	9.4	7.6	1.8	4.8
DHUD-Community Dev. Block Grant	15.2	15.2	-0.1	-15.3
DHUD-Public Housing Notes	1,419.9	1,419.9	0.0	-71.5
General Services Administration+	2,436.0	2,445.0	-9.0	-37.1
DOI-Virgin Islands	16.5	16.5	0.0	-1.0
DON-Ship Lease Financing	1,138.7	1,138.7	0.0	-86.2
Rural Utilities Service	13,996.8	13,998.7	-2.0	-169.7
SBA-State/Local Development Cos.	206.7	209.6	-2.9	-26.7
DOT-Section 511	3.8	3.8	0.0	-0.1
Subtotal*	21,948.7	21,973.6	-24.9	-526.0
Grand total*	41,131.1	41,637.2	-506.1	-4,823.9

* figures may not total due to rounding
\+ does not include capitalized interest

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
June 29, 1999

STATEMENT OF STUART E. EIZENSTAT NOMINEE FOR DEPUTY SECRETARY OF THE TREASURY BEFORE THE SENATE FINANCE COMMITTEE

Mr. Chairman and Members of this Committee, thank you for allowing me the opportunity to appear before you concerning my nomination to be the Deputy Secretary of the Treasury. In making this nomination, the President has honored me with his trust, for which I am deeply grateful.

In all of my senior public positions in the Carter and Clinton Administrations, I have made it a watchword to have open, close, respectful, and cordial relations with members of the Senate and House, regardless of party. I have had the privilege of meeting with many Members of this Committee over the years. You will continue to find me responsive to you, and I consider it a high priority to merit your confidence.

At various times in my public career, I have worked on most of the issues, both domestic and foreign, that come before this Committee. I have worked closely with the business and financial communities over several decades.

During the President's first term, I served under Secretary of State Warren Christopher as the U.S. Ambassador to the European Union in Brussels. It was then that I helped initiate the New Transatlantic Agenda, through which the United States and the European Union are developing closer ties in this post-Cold War era, and the Transatlantic Business Dialogue, which brings together European and American business leaders to provide advice on removing impediments to transatlantic trade and investment. In 1995, I was named Special Envoy for Property Claims in Central and Eastern Europe, a position I continue to hold. I have encouraged the return to individuals and religious communities of the property that the Nazis had confiscated and the communists had nationalized. For my service while in Brussels, Secretary Christopher conferred on me the highest award the State Department can give to a non-career Ambassador,

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the Foreign Affairs Award for Public Service. I returned from Brussels in 1996 to become Under Secretary of Commerce and International Trade. In this position, I established the Compliance Center, which for the first time has given the U.S. government the capacity to monitor foreign government compliance with the trade agreements reached with the United States; we consequently have greater assurance that we are obtaining for U.S. business and workers the full benefits of the trade agreements we have negotiated.

In this second term, under the distinguished leadership of Secretary of State Albright, I have been Under Secretary of Economic, Business and Agricultural Affairs. I have advised Secretary Albright on international economic policy and have led the work of the State Department on issues ranging from trade negotiations to bilateral relations with major partners such as Japan and the European Union. I was named Special Envoy of the President and the Secretary of State for the Promotion of Democracy in Cuba to encourage our allies to condition their relations with Cuba on improvement in human rights and democracy there -- efforts that led to the Common Positions on Cuba by the European Union. In 1997 and 1998, I coordinated two massive government studies on Nazi gold and the role of neutrals on World War II; and I led the Washington Conference on Holocaust-Era Assets, which among other things produced historic principles for the return of the Nazi-looted art, helped solve the Swiss Bank dispute, and contributed to promoting justice for the survivors of the Holocaust and their families before the advent of the new millennium.

My State Department responsibilities; my work as a sous sherpa in the G-8 process; and my service as Alternate Governor of the World Bank, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the African Development Fund, and the European Bank for Reconstruction and Development -- all provide experience for the position of Deputy Secretary of the Treasury.

From my various positions in this Administration, I have learned that one of our most fundamental strengths and sources of influence around the world comes from the strength of the U.S. economy, which President Clinton, Vice President Gore, Secretary Rubin, Deputy Secretary Summers have helped to create. They have set the right course with the support of the U.S. Congress. Maintaining a strong U.S. and world economy is our central challenge.

I look forward to working with Deputy Secretary Summers to achieve the five critical objectives that he indicated to this Committee he will focus on if confirmed as Secretary of the Treasury: maintaining a strong economic strategy, which includes both continued fiscal discipline and addressing long-term Social Security and Medicare problems; ensuring that our strong economy means growth in living standards for all Americans; building the sort of global economy that can underpin U.S. security and the prosperity of American workers; striving to ensure the safety, competitiveness, and efficiency of the U.S. financial system; and supporting the excellence and integrity of Treasury's career staff.

Mr. Chairman, Deputy Secretary Summers has assured me that, if confirmed, we would function as a team in the same productive way he worked with Secretary Rubin. With your support, I look forward eagerly to forming that partnership with him and working closely with you.

In closing, I especially want to thank my family and, most particularly, my wife Fran, for enduring with me the sacrifices and stresses of public service. I could not be here today without her support and that of my sons Jay and Brian, Jay's wife Jessica, and Brian's fiancee Erin Grossman.

Mr. Chairman, I wish to express to you my thanks for being able to come before you. Let me now try to respond to questions you and the Committee may have.

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DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
June 29, 1999

**STATEMENT OF LEE SACHS
NOMINEE FOR ASSISTANT SECRETARY OF THE TREASURY
FOR FINANCIAL MARKETS
BEFORE THE SENATE FINANCE COMMITTEE**

Mr. Chairman, Senator Moynihan, Members of the Committee, I am honored to appear before you today as you consider my nomination to be Assistant Secretary of the Treasury for Financial Markets. I am pleased to have my family with me today: my wife Whitney and our twin daughters Julia and Kathryn, my parents, Jo Ann Werbel and Franklin Sachs and my grandmother Ida Sachs.

It is truly an honor to have been nominated by the President for this position. I am particularly grateful to Secretary Rubin and Deputy Secretary Summers for their strong support and for the confidence they have expressed in me by supporting my nomination. They have assembled a truly talented group of professionals at the Treasury Department and it is my earnest desire to be able to make a further contribution to their efforts.

Before arriving at Treasury a short time ago, I spent 13 years at the Investment Banking firm of Bear, Stearns & Co., including 7 as a Senior Managing Director and Head of Global Capital Markets. In that capacity, I gained broad experience in many areas of the financial markets, including trading, underwriting, research and investment banking. In particular, one of my areas of focus was advising some of the world's largest corporate borrowers as to the most efficient manner in which to finance their operations in the increasingly complex global capital markets.

For the past ten months, it has been my privilege to serve at the Treasury Department as Deputy Assistant Secretary for Government Finance Policy. During this time, Treasury has been deeply involved in a variety of issues that are vital to our national economic well-being and to the global financial system. If confirmed as Assistant Secretary, I would welcome the opportunity to continue to apply my 13 years of financial market experience to help address the wide array of issues facing the Treasury Department. In particular, I would
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be committed to promoting the competitiveness and efficiency of our financial markets and to ensuring that we continue to successfully meet the new debt management challenges associated with an age of surplus.

It is an honor to appear before this Committee today and, if confirmed, I look forward to working closely with this Committee and the rest of the Congress. Thank you Mr. Chairman. I would be pleased to answer any questions that you or other members may have.

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
June 29, 1999

**STATEMENT OF JEFFREY RUSH, JR.
NOMINEE FOR INSPECTOR GENERAL
SENATE FINANCE COMMITTEE**

Good Morning, Mr. Chairman, Senator Moynihan, and members of the Committee. It is an honor for me to appear before this Committee as the President's nominee for the position of Inspector General for the Department of the Treasury.

I am pleased that my wife Dawn could join me today. This is the second time that the President has nominated me for a position requiring the advice and consent of the Senate. As a career civil servant, there is no higher honor.

I have spent the past five years serving the Administration and the Congress as the Inspector General at the U.S. Agency for International Development (USAID). During that period, my staff has completed more than 1900 audits and more than 290 investigations. Our audit work has resulted in about $250.7 million in questioned cost and funds put to better use. Our investigations have resulted in 12 criminal convictions, 15 civil actions, 230 administrative actions, and about $11.9 million in monetary recoveries. The USAID Office of Inspector General (OIG) has made important contributions to the agency's sustainable development and humanitarian assistance efforts.

My public service began in August 1968, when I joined the U.S. Army. Following basic combat training, I received training as a counterintelligence agent at the U.S. Army Intelligence Training School, Fort Holabird, Maryland. From February 1969 until July 1971, I conducted background investigations, and other domestic counterintelligence duties, including dignitary protection and facilities security.

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My career in the civil service began in August 1971 as a special agent with the OIG, U.S. Department of Agriculture (USDA). I received my training as a criminal investigator from the Federal Law Enforcement Training Center. From August 1971 until November 1975, I conducted a wide range of complex and sensitive investigations. I served as a supervisory special agent from December 1975 until December 1978. I completed 30 hours towards a graduate degree in Administration of Justice during the years that I worked as a supervisory special agent in the USDA OIG's Kansas City Regional Office.

From December 1978 until June 1980, I served as the Assistant Regional Inspector General and from June 1980 until October 1983, I served as Regional Inspector General for the USDA OIG's Chicago Regional Office. In October 1983, I was promoted into the Senior Executive Service as the Deputy Assistant Inspector General for Investigations. From October 1983 until August 1994, I shared the responsibility of managing more than 300 employees engaged in investigative and law enforcement operations. From 1986 to 1990, I attended law school at night at the George Mason University School of Law. I received my Juris Doctor degree in May 1990. I was admitted to the Virginia State Bar in October 1990, the District of Columbia Bar in February 1991, and the Supreme Court of the United States in November 1993.

If confirmed by the Senate, I will work to establish an office capable of meeting its statutory responsibilities, and contributing to the performance of the Department of the Treasury. I will work closely with the Treasury Inspector General for Tax Administration to ensure that the Department is well served by our respective offices. I have known Inspector General
David C. Williams for more than a decade, and I look forward to working with him.

That concludes my statement. I would be pleased to answer any questions that you have.
Thank you.

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
June 28, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	July 01, 1999
Maturity Date:	September 30, 1999
CUSIP Number:	912795CQ2

High Rate: 4.750% Investment Rate 1/: 4.889% Price: 98.799

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 43%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,288,276	$ 5,923,276
Noncompetitive	1,258,485	1,258,485
PUBLIC SUBTOTAL	21,546,761	7,181,761 2/
Foreign Official Refunded	321,967	321,967
SUBTOTAL	21,868,728	7,503,728
Federal Reserve	3,567,430	3,567,430
Foreign Official Add-On	206,533	206,533
TOTAL	$ 25,642,691	$ 11,277,691

Median rate 4.710%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 4.620%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 21,546,761 / 7,181,761 = 3.00

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $968,619,000

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PUBLIC DEBT NEWS

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

TREASURY SECURITY AUCTION RESULTS
BUREAU OF THE PUBLIC DEBT - WASHINGTON DC

FOR IMMEDIATE RELEASE
June 28, 1999

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	July 01, 1999
Maturity Date:	December 30, 1999
CUSIP Number:	912795DA6

High Rate: 4.960% Investment Rate 1/: 5.173% Price: 97.492

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 70%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 18,930,289	$ 4,190,289
Noncompetitive	1,032,026	1,032,026
PUBLIC SUBTOTAL	19,962,315	5,222,315 2/
Foreign Official Refunded	2,278,733	2,278,733
SUBTOTAL	22,241,048	7,501,048
Federal Reserve	3,640,000	3,640,000
Foreign Official Add-On	1,463,167	1,463,167
TOTAL	$ 27,344,215	$ 12,604,215

Median rate 4.950%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 4.870%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 19,962,315 / 5,222,315 = 3.82

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $783,998,000

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Weekly Release of U.S. Reserve Assets

June 29, 1999

The Treasury Department today released U.S. reserve assets data for the week ending June 25, 1999.

As this table indicates, U.S. reserve assets totaled $71,988 million as of June 25, 1999, up from$71,944 million as of June 18.

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

1999 *Week Ending*	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/	Foreign Currencies 3/ ESF	Foreign Currencies 3/ SOMA	Reserve Position in IMF 2/
June 18, 1999	**71,944**	11,049	9,747	14,795	14,796	21,556
June 25, 1999	**71,988**	11,049	*9,758*	14,801	14,801	*21,580*

1/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of May 31, 1999. The April 30, 1999 value was $11,049 million.

2/ SDR holdings and the reserve position in the IMF are based on IMF data and revalued in dollar terms at the official SDR/dollar exchange rate. Consistent with current reporting practices, IMF data for June 18, 1999 are final. Data for SDR holdings and the reserve position in the IMF shown as of June 25, 1999 (in italics) reflect preliminary adjustments by the Treasury to the June 18, 1999 IMF data.

3/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA). These holdings are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

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U.S. Government Printing Office 1998 - 619-559

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
June 30, 1999

Contact: John Longbrake
(202) 622-2960

GORE, RUBIN ANNOUNCE LOW-COST ELECTRONIC ACCOUNT

Vice President Al Gore and Treasury Secretary Robert E. Rubin announced Wednesday the final details of Treasury's Electronic Transfer Account (ETA) and the financial institutions that have committed to offer it.

Treasury designed the ETA, a low-cost account to be offered at federally-insured financial institutions, to allow federal payment recipients to take advantage of Direct Deposit. The first institutions to reach a preliminary agreement to offer the ETA are: Banco Popular de Puerto Rico & N.A., Bank of America, Britton & Koontz First National Bank, Chase Manhattan Bank, Washington State Bank and Wells Fargo & Company. The ETA will be available at some institutions late this summer.

"Broad participation by banks, savings and loans and credit unions of all sizes will be essential to the success of the account," said Secretary Rubin. "By offering the ETA, these institutions are expanding access and services to their communities, helping to bring more Americans into the financial services mainstream. ETAs will provide a simple, safe and secure way to receive federal payments."

The final ETA structure will allow federal payments recipients to sign up for an ETA, receive Direct Deposit through another commercially available account of their choice, or elect to continue receiving a paper check. By working with consumer groups and financial institutions and conducting independent market research, Treasury has developed a broadly supported program that creates access to Direct Deposit for millions of Americans who do not have accounts today.

The ETA will be available only through federally-insured banks, thrifts and credit unions. Financial institutions choosing to offer the ETA will be required to enter into a contractual agreement (ETA Financial Agency Agreement) with the Treasury Department.

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Under the agreement, the ETA would:

- be an individually owned account at a federally-insured financial institution;
- be available to any individual who receives a federal benefit, wage, salary, or retirement payment;
- accept electronic federal payments;
- be subject to a maximum price of $3 per month;
- have a minimum of four cash withdrawals and four balance inquires each month, to be included in the monthly fee through any combination of proprietary ATM and/or over-the-counter transactions;
- provide the same consumer protections that are available to other account holders at the financial institution;
- allow access to on-line point-of-sale (POS) networks, if available;
- require no minimum balance, except as required by federal or state law; and
- provide a monthly statement.

Financial institutions also may choose to pay interest on account balances and/or permit additional non-federal deposits. Over the next several months, Treasury expects the number of participating institutions to increase substantially through an extensive outreach campaign designed to inform both institutions and consumers about the benefits of the ETA.

The ETA is the latest step in implementing provisions of the Debt Collection Improvement Act (DCIA) of 1996, which directs Treasury to assure that federal payment recipients have easy access to a reasonably priced account in order to receive electronic payments. Treasury will publish the final ETA attributes in the Federal Register in the near future.

Treasury published on Sept. 25, 1998, the final rule governing federal payments by electronic funds transfer (EFT). The final rule provides for the ETA and details the broad circumstances under which recipients can continue to receive paper checks if electronic deposit would cause a hardship. The final rule emphasizes recipient choice and the importance of ensuring that recipients are not disadvantaged or forced into making a choice that is not right for their circumstances.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

EMBARGOED UNTIL 7 P.M. EDT
Text as Prepared for Delivery
June 29, 1999

TREASURY SECRETARY ROBERT E. RUBIN
REMARKS TO LOCAL INITIATIVE SUPPORT CORPORATION DINNER

It is a pleasure to join you this evening. As you know, I will be stepping down as Treasury Secretary in just a few days. It seems appropriate that one of my final speeches as Secretary is before LISC to discuss an issue that I think is one of the most important for the future economic well-being of our country: promoting economic opportunity in America's economically distressed areas, both in our inner cities and rural areas.

I believe -- and more importantly, I know that the President and Vice President strongly believe -- that all of us have an enormous stake in promoting real opportunity in America's economically distressed areas, no matter where we live or what our incomes may be. Just think of the difference it would make in reduced social costs and improved productivity if we could bring the residents of these areas into the economic mainstream.

And as I look back over my six and a half years in the Administration -- four and a half at Treasury after two in the White House -- one of the things that has brought me the most satisfaction has been our focus on economically distressed areas. The Clinton Administration has undertaken a broad range of actions that have had a real impact on the lives of the residents of these areas, such as the Earned Income Tax Credit, which we greatly expanded and then fought to protect it when it was threatened, or the low income housing tax credit, whose expansion we strongly support, or the Brownfield tax incentives, or protection of CRA and expansion of the CDFI program, just to name a few.

I do not want to minimize the magnitude of the challenges that still lie before us -- they are great -- but there has been real progress during the past few years. Unemployment is down in America's largest inner cities. Home ownership is up for lower income people. And wages have begun to rise for low-income people, after being stagnant for many years.

LISC has been an important partner in the efforts that have produced these successes. Your work represents entrepreneurialism in the pursuit of public purpose. You encourage leadership in communities, and then work with those leaders to promote housing, job creation and community revitalization. There is no question that LISC has made a real and substantial difference, conceptually and in action on the ground, and it is very important that you continue to do so in the future. I know, from discussions I have had, that LISC is continuing to generate new ideas of the kind you would expect to find in the most forward looking organizations.

In my tenure in government, I have gained a deep appreciation for the power of the community development corporation concept -- which I had not been familiar with before I came to government. I have seen how so much of the important work of economic development occurs at the community level through CDCs. And I have had the opportunity not only to talk with people in CDCs who are involved in this, but also to visit some of the places where all of this is happening. In the Bronx I saw block after block of renovated or new housing where there used to be ruins, thanks to the work of groups like MBD. In Los Angeles, I met a leader of a CDC, Concerned Citizens for South Central Los Angeles, Juanita Tate, who had taken a large piece of land that had been environmentally contaminated and turned it into an industrial park. When I visited they already had significant leasing. She combined this with a job readiness program so that people in the area would have the training and interpersonal skills necessary to work in these new located businesses, and companies were signing up to hire local workers.

In Chicago, I visited a business mentoring program called the Runner's Club, which connects young entrepreneurs from inner city areas with established, larger businesses and saw what a difference Greg White and his CEO advisory board is making. In Boston, I visited a catering business funded by a Community Development Financial Institution and heard about the partnerships being developed between Boston Community Capital and corporate leadership to invest in Boston's neighborhoods. And let me also mention that I have visited these sorts of programs overseas, in India, the Philippines, Vietnam and elsewhere. I believe that just as it is critical to our future economic well-being to bring the residents of our economically distressed areas in this country into the economic mainstream, so too is it important for growth and economic and social stability in developing countries, which absorb 40 percent of our exports, to promote opportunity for all their people.

There are a great many programs dealing with the issues of the inner cities that are working all over the country. Some are federal programs, some are state or local, and some are private initiatives. Their success depends in large measure on all of you, and others like you around the country. But, as I said a moment ago, the challenges ahead are still enormous.

In that light, let me touch briefly on a few of the issues on which the Administration is focused as we go forward.

First, is to continue to work to promote a strong economy. It is critical that we continue to pursue the economic strategy of fiscal discipline, investing in people, and open markets that has been so instrumental in producing the strong economic conditions we enjoy today, which in turn have affected job creations and standards of living in distressed areas. Those who focus on the problems of distressed areas too often focus too little on supporting the actions requisite for a strong economy, while those who focus on promoting a strong economy too often focus too little on all the additional work needed to move forward in distressed areas.

Second, is to protect the Community Reinvestment Act. As you know, this Administration reformed the regulations under CRA and those reforms plus vigorous support for the program have resulted in increasing capital going into distressed areas by many multiples. Yet CRA has been threatened continually. The President has repeatedly said that he will use his veto to protect CRA.

Third, is to strengthen the CDFI Fund program, which has been very successful and has enormous promise.

Fourth, is to promote two recent initiatives by the President, BusinessLINC, which encourages business mentoring, and the New Markets initiative, which is designed to help encourage new private sector equity investment for business growth in our distressed inner cities and rural areas.

Fifth and finally, let me mention an area, which as I have gotten more and more involved in these issues strikes me as particularly important: job readiness. While having a strong national economy is an absolute requisite for growth in distressed inner cities and rural areas, and will help a lot of people, there are many who, as a result of historical circumstances, lack the skills, habits and attitudes to successfully function in the mainstream work force. Our Secretary of Labor, Alexis Herman, understands the importance of this issue: she started her career in this area. I know that LISC has a nascent effort in this area and I think it could be very useful for LISC and other groups to expand on this in the years ahead.

In conclusion, let me reiterate that as I step down, one of the things I feel best about in the last six and a half years is this Administration's involvement in the issues of distressed communities. I believe that this is critically important to the economic well being of all of us. Larry Summers, who, as you know, will be the next Treasury Secretary -- subject to the will of the Senate -- has been my partner through this whole period, and is deeply committed to these same issues. I know that, if confirmed, he very much looks forward to working with you and to working on this whole agenda that is so important to the economic well-being of millions of American families and to all of us. And I know that I will continue to remain involved with these issues as I leave government. Thank you very much and I wish you all the best.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
June 30, 1999

Contact: Dan Israel
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TREASURY RELEASES IMF ARTICLE IV CONSULTATION

The Treasury Department is releasing the concluding statement by the staff of the International Monetary Fund for this year's Article IV Consultation with the United States.

In their statement, IMF staff again extend high praise to the U.S. Administration and the Federal Reserve for their conduct of economic policy, noting that "[t]he U.S. authorities are to be highly commended for their sound fiscal and monetary policies, which have contributed significantly to what is now approaching the longest economic expansion in U.S. history." Fund staff also noted the importance of this performance for the rest of the world: "During the recent difficult period of turbulence in the world economy, the United States economy has been the principal engine of global growth, and U.S. monetary policy played a key role in stabilizing international financial markets."

The strength of the U.S. economy, according to IMF staff, can be attributed to the continued implementation of sound fiscal and monetary policies. "Steadfast efforts to improve the fiscal outlook have helped to turn the unified federal budget balance to a surplus in FY 1998 for the first time in 30 years, and structural budget surpluses are expected to be sustained under current policies over the longer term. Monetary policy has continued to support the expansion while containing inflation. At the same time, strong employment growth, partly attributable to the flexibility of U.S. labor markets, has contributed to a decline in the unemployment rate to its lowest level in decades." However, the IMF's statement goes on to note that "U.S. growth will need to slow from its recent rapid pace to a rate more in line with the economy's long-run potential" and further states the policy challenge of ensuring that "a restoration of a more evenly distributed pattern of demand growth is accomplished in a nondisruptive manner."

Release of this statement is consistent with a broad effort by the United States to enhance the transparency of the IMF, which has led among other things to public distribution of an increasing number of Press Information Notices (PINs) for Article IV consultations. The United States is also part of a pilot program recently established by the IMF's Executive Board to allow countries to release the staff reports on their Article IV reviews. The United States expects to release the staff report later this year.

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(Statement of Fund Mission attached)
RR- 3231

INTERNATIONAL MONETARY FUND

1999 Article IV Consultation with the United States of America

Statement of the Fund Mission

June 17, 1999

1. The U.S. authorities are to be highly commended for their sound fiscal and monetary policies, which have contributed significantly to what is now approaching the longest economic expansion in U.S. history. Steadfast efforts to improve the fiscal outlook have helped to turn the unified federal budget balance to a surplus in FY 1998 for the first time in 30 years, and structural budget surpluses are expected to be sustained under current policies over the longer term. Monetary policy has continued to support the expansion while containing inflation. At the same time, strong employment growth, partly attributable to the flexibility of U.S. labor markets, has contributed to a decline in the unemployment rate to its lowest level in decades. During the recent difficult period of turbulence in the world economy, the United States economy has been the principal engine of global growth, and U.S. monetary policy played a key role in stabilizing international financial markets. In the period ahead, however, U.S. growth will need to slow from its recent rapid pace to a rate more in line with the economy's long-run potential. The policy challenge for both the United States and its international partners will be to ensure that a restoration of a more evenly distributed pattern of demand growth is accomplished in a nondisruptive manner.

2. In recent years, the supply side of the U.S. economy has behaved differently than expected by most analysts, including the IMF staff, with growth exceeding projections and inflation continuing to decline well into the period of sustained growth. Despite tight labor markets, wage demands have remained moderate, in part reflecting the effects of favorable price shocks that have contributed to unanticipated increases in real wages. Efforts to control benefits costs have reined in the rate of growth in employee compensation. At the same time, the appreciation of the dollar and the fall in commodity prices, along with stiffer competition in U.S. markets, have served to contain inflation. At this stage, a good deal of uncertainty surrounds estimates of potential output and the natural rate of unemployment, making these indicators less useful as guides for macroeconomic policy. Strong investment and continued productivity gains have probably raised potential output more rapidly than in preceding periods, but it is difficult to gauge the extent to which recent developments reflect a sustainable change in structural economic conditions and how much is attributable to transitory factors. Regardless of the uncertainty about the new limits of productive capacity, the economy still faces resource constraints, and the recent very strong growth in aggregate demand cannot be sustained for long without having inflationary consequences.

3. Although the performance of the U.S. economy has been remarkable, some significant risks have emerged. In particular, while national savings has increased substantially since 1992, personal savings has fallen to an unprecedentedly low level, partly reflecting the effects of the large gains in wealth associated with what many indicators

suggest is a significantly overvalued U.S. equity market. At the same time, the external current account deficit has widened sharply, owing to the appreciation of the dollar and the rapid pace of domestic demand growth in the United States. Moreover, the factors that have contributed to the favorable wage and inflation performance in recent years may have only transitory effects. A reversal of these conditions, if it were to unfold rapidly, could cause problems for macroeconomic management. While the decline in personal savings and the rise in the current account imbalance, which reflects the relative cyclical positions of the U.S. and other major economies, do not warrant any immediate policy responses, they do heighten the potential risks associated with any overheating.

4. Unless there is evidence soon that the strength of demand growth is abating, the authorities may need to move to tighten monetary policy to ensure that the expansion remains on a sustainable, noninflationary path. Since economic conditions in the rest of the world and in global financial markets have improved somewhat, a modest tightening would have a less damaging effect than it would have had earlier. While judgements on the timing of such action are especially difficult in the current circumstances, waiting too long to act would risk having to raise rates more sharply later to stem a pickup in inflation, which would increase the likelihood of a sharp stock market correction and a "hard landing". The recent shift to a bias toward firming the stance of monetary policy in the intra-meeting period recognizes these potential pressures, and it will be especially important for the Federal Reserve to continue to respond rapidly and to be forward looking in its conduct of policy.

5. The Administration's intention to preserve a substantial portion of the federal budget surpluses in prospect over the medium term and beyond is laudable. Maintenance of substantial budget surpluses is appropriate for both short-term stabilization and long-term structural reasons. In the near term, resisting new tax and spending initiatives in order to realize the projected budget surpluses is essential to avoid adding further fuel to already strong aggregate demand pressures. In the long term, allowing surpluses to materialize will help prepare the federal government for the rising tide of unfunded liabilities associated with the aging of the population. The IMF staff believes that an appropriate longer-term fiscal objective would be to put the Social Security and Medicare programs into actuarial balance, and then keep the remainder of the budget balanced on average, allowing for changes in cyclical conditions.

6. Although a consensus appears to have emerged in Congress to maintain substantial surpluses, it will be necessary to continue to resist pressures to cut taxes and increase spending as the budget deliberations proceed. In this regard, discretionary spending caps and the PAYGO financing requirement have fostered discipline in the budget process, contributing to the sustained fiscal consolidation since FY 1992. These budget enforcement measures are set to expire in 2002, and the IMF staff believes that long-term budget discipline would be well served by appropriate modest adjustments to the spending caps and by extending both measures beyond their expiration.

7. Tax cuts proposed by the Administration in its FY 2000 Budget continue a tendency to use tax incentives to promote specific economic or social goals. These incentives

complicate the income tax system, thereby undermining transparency and increasing compliance costs. With the aim of simplifying the income tax system, the IMF staff continues to take the view that the authorities should limit recourse to the use of tax expenditures.

8. The Administration's proposal for Social Security is a useful first step toward shoring up the system's finances, but further efforts are needed to achieve long-term actuarial balance. The total size of the funding gap is relatively small by international standards, and in principle, could be corrected without radical changes to the system. The IMF staff endorses the Administration's intention to maintain the system's current structure, which has been highly successful in reducing poverty among the elderly. Nevertheless, the proposed use of general revenues and the plan to invest a small portion of Trust Fund assets in equities raises important concerns. Removing the link between outlays and Social Security payroll taxes could potentially erode an effective budget constraint; one that probably has provided a check on unwarranted growth in Social Security benefits over the years. The Administration's plan to invest some Trust Fund assets in equities would contribute to improving the finances of Social Security, but its overall macroeconomic impact would be to simply shift the composition of public and private asset portfolios without substantially contributing to a needed increase in national savings. There is also the potential risk that investment of these funds in private securities could ultimately be influenced by political consideration, creating distortions which could adversely affect private sector investment decisions. In the view of the IMF staff, a comprehensive solution to Social Security's long-term financial problem should involve small adjustments in the system's parameters (increases in contribution rates, an increase in the retirement age, and/or cuts in benefits), which need to be enacted soon.

9. Although the Administration's proposal to transfer general revenues to the HI Trust Fund would also lessen the actuarial imbalance facing Medicare, it falls well short of restoring the long-term financial viability of the system. The IMF staff urges the Administration to consider a more comprehensive solution to Medicare's financial problems that would involve a menu of options, including reducing benefits, raising co-payments and deductibles, and increasing contribution rates. It also has to be recognized that periodic adjustments to the program are likely to be required because of the difficulties in projecting Medicare outlays, and a mechanism for making adjustments in the program's parameters on a regular basis should be established. Timely adoption of a comprehensive plan to shore up the longer-term financial viability of Medicare would avoid the need for more draconian measures at a later stage.

10. Over the past year and a half, the appreciation of the U.S. dollar has shifted demand abroad, helping to avert overheating in the United States and mitigating the adverse effects of global economic turbulence. As growth outside the United States recovers, especially in the economies of key trading partners, some reversal of safe-haven capital flows, and some depreciation of the dollar can be expected, helping to narrow the U.S. external current account deficit. The U.S. authorities need to continue to implement sound macroeconomic and structural policies to increase the likelihood that any correction in the dollar's value will

be an orderly process. In particular, the prospects for sustained fiscal surpluses in coming years should raise national saving and help gradually to ease pressures contributing to the relatively high external current account deficit. Furthermore, if the dollar were to depreciate suddenly and sharply, the Federal Reserve, although not targeting the exchange rate, would be well-positioned, if needed, to tighten monetary policy in order to limit the risk of a sustained effect on inflation.

11. In the last year, the appreciation of the U.S. dollar and the weakness in domestic demand abroad has heightened competition faced by U.S. import-competing producers and is stimulating protectionist sentiment. It is in the interest of both the United States and the international community that these protectionist pressures be strongly resisted. In particular, steps need to be taken to ensure that protection from "unfair trade" in the form of antidumping and countervailing duties - even if they conform with WTO obligations - is not simply used as a means of inhibiting competition from imports. Rather, there are sound economic reasons for administering these procedures with the objective of providing import protection only in those cases where foreign producers are engaged in anticompetitive behavior. At the same time, the United States should continue to be a major force for the advancement of multilateral trade liberalization in order to foster a more hospitable global environment for trade. The ability of the United States to play such a leadership role would be enhanced by approval of fast-track negotiating authority. U.S. reliance on the WTO's dispute-settlement mechanism to resolve trade disputes, rather than pursuing unilateral actions, has supported the WTO's rules-based approach to international trade. The IMF staff hopes that the United States and the authorities in other countries will continue to seek cooperative solutions in recent high-profile disputes, refrain from resorting to restrictive trade measures, and work together to improve the dispute-settlement mechanism.

12. Under the Administration's FY 2000 budget, official development assistance (ODA) would be held at its recent historically low level of less than 0.1 percentage of GDP over the five-year budget horizon. The IMF staff urges the authorities to raise the priority assigned to ODA and to re-establish the leadership role of the United States in this area, thereby helping to catalyze a resurgence in such assistance worldwide.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
June 30, 1999

Contact: (202) 622-2960

STATEMENT BY TREASURY SECRETARY ROBERT E. RUBIN AND COUNCIL OF ECONOMIC ADVISERS CHAIR JANET L. YELLEN

The Administration recognizes and respects the independence of the Federal Reserve in making decisions about the nation's monetary policy. We share the goal of maintaining solid economic growth with low inflation.

We have strong and balanced economic growth, supported by growing budget surpluses and substantial reductions in federal debt. We believe that the economy will continue on a sound path, led by strong private-sector investment which is creating a foundation for long-term growth and higher living standards for all Americans in the future.

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RR--3232

DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 2:30 P.M.
June 30, 1999

CONTACT: Office of Financing
202/691-3550

TREASURY TO AUCTION $7,000 MILLION OF 9-1/2-YEAR 3-7/8% INFLATION-INDEXED NOTES

The Treasury will auction $7,000 million of 9-1/2-year 3-7/8% inflation-indexed notes to raise cash.

Amounts bid by Federal Reserve Banks for their own accounts and as agents for foreign and international monetary authorities will be added to the offering.

The auction will be conducted in the single-price auction format. All competitive and noncompetitive awards will be at the highest yield of accepted competitive tenders.

The notes being offered today are eligible for the STRIPS program.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular for the Sale and Issue of Marketable Book-Entry Treasury Bills, Notes, and Bonds (31 CFR Part 356, as amended).

For original issue discount (OID), IRS regulations permit reopenings of inflation-indexed securities without regard to OID rules, provided that the reopenings occur not more than one year after the original securities were first issued to the public. Therefore, the OID limit does not apply to this auction.

Details about the security are given in the attached offering highlights.

oOo

Attachment

RR-3233

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF
9-1/2-YEAR INFLATION-INDEXED NOTES TO BE ISSUED JULY 15, 1999

June 30, 1999

Offering Amount........................ $7,000 million

Description of Offering:

Term and type of security..............	9-1/2-year inflation-indexed notes (reopening)
Series.................................	A-2009
CUSIP number...........................	912827 4Y 5
Auction date...........................	July 7, 1999
Issue date.............................	July 15, 1999
Dated date.............................	January 15, 1999
Maturity date..........................	January 15, 2009
Interest rate..........................	3-7/8%
Amount originally issued...............	$8,532 million
Adjusted amount currently outstanding...	$8,645 million
Real yield.............................	Determined at auction
Interest payment dates.................	January 15 and July 15
Minimum bid amount and multiples........	$1,000
Accrued interest.......................	None
Premium or discount....................	Determined at auction

STRIPS Information:

Minimum amount required................	$1,000
Corpus CUSIP number....................	912820 DN 4

Submission of Bids:

Noncompetitive bids: Will be accepted in full up to $5,000,000 at the highest accepted yield.

Competitive bids:

(1) Must be expressed as a real yield with three decimals, e.g., 3.123%.

(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.

(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield.......... 35% of public offering

Maximum Award.................................. 35% of public offering

Receipt of Tenders:

Noncompetitive tenders: Prior to 12:00 noon Eastern Daylight Saving time on auction day.

Competitive tenders: Prior to 1:00 p.m. Eastern Daylight Saving time on auction day.

Payment Terms: By charge to a funds account at a Federal Reserve Bank on issu date, or payment of full par amount with tender. *TreasuryDirect* customers ca use the Pay Direct feature which authorizes a charge to their account of record at their financial institution on issue date.

Indexing Information:

CPI Base Reference Period	1982-1984
Ref CPI 01/15/1999	164.00000
Ref CPI 07/15/1999	166.20000
Index Ratio 07/15/1999	1.01341