Department of the Treasury

PRESS RELEASES

The following number was not used:
529

Numbers 406-409 are listed on the May, 2001 Index.

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 4, 2001

CONTACT: Tony Fratto
(202) 622-2960

TREASURY CALLS FOR LARGE POSITION REPORTS

The Treasury is calling for Large Position Reports from those entities whose reportable position in the 4% Treasury Notes of April 2003 equals or exceeds $2 billion as of close of business **Friday, May 25, 2001**. This call for Large Position Reports is a test. Entities with reportable positions in this note equal to or exceeding this $2 billion threshold must report these positions to the Federal Reserve Bank of New York. Entities with positions in this note below $2 billion are not required to file Large Position Reports. Reports, which must include the required position and administrative information, must be received by the Securities Reports Division of the Federal Reserve Bank of New York before noon Eastern time on **Friday, June 8, 2001**. Large Position Reports may be filed by facsimile at (212) 720-5030 or delivered to the Bank at 33 Liberty Street, 4th floor.

Details on Call for Large Position Reports

Security Description:	4% Treasury Notes of April 2003, Series P-2003
CUSIP Number:	912827 6W 7
CUSIP Number of STRIPS Principal Component:	912820 GF 8
Maturity Date:	April 30, 2003
Date for Which Information Must Be Reported:	May 25, 2001 as of COB
Large Position Reporting Threshold:	$2 Billion (Par Value)
Date Report Is Due:	June 8, 2001, before noon Eastern time

This call for large position information is made under Treasury's large position reporting rules (17 CFR Part 420). The notice calling for Large Position Reports is also being published in the *Federal Register*. This press release and a copy of a sample Large Position Report, which appears in Appendix B of the rules at 17 CFR Part 420, can be obtained from Treasury's automated fax system by calling (202) 622-2040 and requesting document number 405. These documents are also available at the Bureau of the Public Debt's Internet site at the following address: www.publicdebt.treas.gov.

Questions about Treasury's large position reporting rules should be directed to Public Debt's Government Securities Regulations Staff at (202) 691-3632. Questions regarding the method of submission of Large Position Reports may be directed to the Securities Reports Division of the Federal Reserve Bank of New York at (212) 720-1449.

PO-405

Appendix B to Part 420 - Sample Large Position Report.
Formula for Determining a Reportable Position
($ Amounts in Millions at Par Value as of Trade Date)

Security Being Reported: ____________
Date For Which Information is Being Reported: ____________

1. Net Trading Position $____________
   (Total of cash/immediate net settled positions; net when-issued positions; net forward positions, including next day settling; net futures contracts that require delivery of the specific security; and net holdings of STRIPS principal components of the security.)

2. Gross Financing Position + $____________
   (Total of securities received through reverse repos (including forward settling reverse repos), bonds borrowed, collateral for financial derivative transactions and for other securities transactions which total may be reduced by the optional exclusion described in § 420.2(c).)

3. Net Fails Position + $____________
   (Fails to receive less fails to deliver. If equal to or less than zero, report 0.)

4. TOTAL REPORTABLE POSITION = $____________

Memorandum: Report one total which includes the gross par amounts of securities delivered through repurchase agreements, securities loaned, and as collateral for financial derivatives and other securities transactions. Not to be included in item #2 (Gross Financing Position) as reported above.
$____________

Administrative Information to be Provided in the Report

Name of Reporting Entity:
Address of Principal Place of Business:
Name and Address of the Designated Filing Entity:
Treasury Security Reported on:
CUSIP Number:
Date or Dates for Which Information Is Being Reported:
Date Report Submitted:
Name and Telephone Number of Person to Contact Regarding Information Reported:

Name and Position of Authorized Individual Submitting this Report (Chief Compliance Officer; Chief Legal Officer; Chief Financial Officer; Chief Operating Officer; Chief Executive Officer; or Managing Partner or Equivalent of the Designated Filing Entity Authorized to Sign Such Report on Behalf of the Entity):

Statement of Certification: "By signing below, I certify that the information contained in this report with regard to the designated filing entity is accurate and complete. Further, after reasonable inquiry and to the best of my knowledge and belief, I certify: (i) that the information contained in this report with regard to any other aggregating entities is accurate and complete; and (ii) that the reporting entity, including all aggregating entities, is in compliance with the requirements of 17 CFR Part 420."

Signature of Authorized Person Named Above:

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 04, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	June 07, 2001
Maturity Date:	September 06, 2001
CUSIP Number:	912795HN4

High Rate: 3.590% Investment Rate 1/: 3.671% Price: 99.093

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 37.93%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 23,962,695	$ 10,992,755
Noncompetitive	1,312,358	1,312,358
FIMA (noncompetitive)	195,000	195,000
SUBTOTAL	25,470,053	12,500,113 2/
Federal Reserve	5,637,135	5,637,135
TOTAL	$ 31,107,188	$ 18,137,248

Median rate 3.570%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.535%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 25,470,053 / 12,500,113 = 2.04

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,082,679,000

http://www.publicdebt.treas.gov

PO-410

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 04, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	June 07, 2001
Maturity Date:	December 06, 2001
CUSIP Number:	912795GU9

High Rate: 3.520% Investment Rate 1/: 3.634% Price: 98.220

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 72.71%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,736,578	$ 9,124,986
Noncompetitive	1,375,073	1,375,073
SUBTOTAL	22,111,651	10,500,059 2/
Federal Reserve	5,140,426	5,140,426
TOTAL	$ 27,252,077	$ 15,640,485

Median rate 3.480%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.450%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

BID-TO-COVER RATIO = 22,111,651 / 10,500,059 = 2.11
NO FIMA NONCOMPETITIVE BIDS WERE TENDERED IN TODAY'S AUCTION.

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,123,274,000

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the week ending June 1, 2001. As indicated in this table, U.S. reserve assets totaled $65,278 million as of June 1, 2001, up from $65,272 million as of May 25, 2001.

(in US millions)

I. Official U.S. Reserve Assets		May 25, 2001			June 1, 2001		
	TOTAL	65,272			65,278		
		Euro	Yen	TOTAL	Euro	Yen	TOTAL
1. Foreign Currency Reserves							
a. Securities		5,115	10,915	16,029	5,057	11,063	16,120
Of which, issuer headquartered in the U.S.				0			0
b. Total deposits with:							
b.i. Other central banks and BIS		8,677	4,725	13,402	8,558	4,790	13,347
b.ii. Banks headquartered in the U.S.				0			0
b.ii. Of which, banks located abroad				0			0
b iii. Banks headquartered outside the U.S.				0			0
b.iii. Of which, banks located in the U.S.				0			0
2. IMF Reserve Position [2]				14,300			*14,283*
3. Special Drawing Rights (SDRs) [2]				10,495			*10,482*
4. Gold Stock [3]				11,046			11,046
5. Other Reserve Assets				0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for May 25 are final. The entries in the table above for June 1 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2221 per fine troy ounce. Values shown are as of April 30, 2001. The March 31, 2001 value was $11,046 million.

PO-412

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets

	May 25, 2001	June 1, 2001
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets

	May 25, 2001	June 1, 2001
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

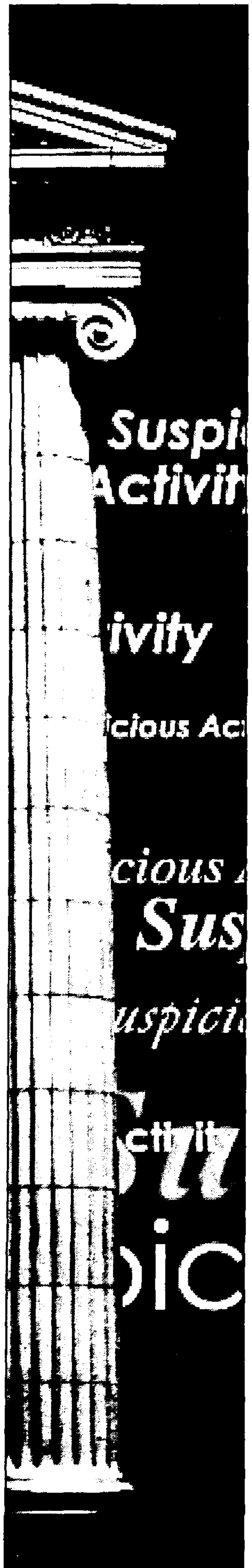
FOR IMMEDIATE RELEASE
June 6, 2001

Contact: FinCEN
(703) 905-3770

MEDIA ADVISORY

The Treasury Department's Financial Crimes Enforcement Network (FinCEN) is releasing a SAR Bulletin today to alert financial institutions of the possible abuse of phone card sales to facilitate or conceal money laundering. The SAR Bulletin providing additional information about this topic follows this release.

PO-413



SAR Bulletin

Information drawn from the Suspicious Activity Reporting System

June 2001 Issue 3

Suspicious Activity Related to Phone Card Businesses

A review of Suspicious Activity Reports (SARs) filed with the Treasury Department's Financial Crimes Enforcement Network (FinCEN) identified over 160 reports indicating suspicious financial activity related to businesses involved in phone card sales. Some of the companies or businesses involved in the reported activity offer other services such as check cashing, money orders, beepers, cellular phones, faxes, lottery tickets, and travel tickets. This activity has been observed by financial institutions in fourteen states, particularly in New York, New Jersey, Texas, California, and Florida.

Businesses involved in phone card sales routinely generate significant legitimate cash flow. However, SAR information reported by financial institutions characterizes the types of problematic transactions suggestive of money laundering or other illicit financial activity (large and unexplained cash flow increases, transactions structured to stay below CTR reporting requirements, etc.) associated with illegitimate use of these businesses. Additionally, law enforcement information indicates that phone cards are being used as a mechanism to launder funds.

The suspicious activity reported by financial institutions that may reflect illicit use of phone card businesses falls into the following categories:

- unusual deposit of funds into or withdrawal of funds from bank accounts maintained by businesses engaged in phone card activity;
- cash deposits containing a large number of $100 bills;
- unexpectedly large transactions occurring over relatively brief periods of time;
- lack of, or improbable reasons for financial activity;
- frequent structured transactions followed by immediate withdrawals;
- unusual outgoing wire transfers, cashiers check purchases, check cashing, and check and money order deposits;
- unexpected check cashing activity occurring at businesses whose principal activity is phone card sales;
- small retailers suddenly or irregularly experiencing high volumes of phone card sales, with accompanying major increases in cash deposits.

The reported dollar volumes associated with these activities range from

$300,000 to $50 million. In one instance, information from the SARs indicated that over $50 million in deposits (checks, cash, and money orders) were received in one year by a communications company involved in the sale of prepaid telephone cards by convenience stores. In another instance, a bank reported 370 cash deposits by a prepaid phone card business totaling more than $3 million in approximately three months, exceeding the business's expected cash flow. In a third case, a bank reported a home-based phone card business with more than $500,000 deposited within a two-month period. Another scenario involved daily cash deposits of $9,000 from a phone card business continuing over an eight-month period. In some instances, the use of phone cards and the connection with volume wholesale or retail sales of phone cards were central to the suspicious activity. In other cases, the phone card connection appeared as an adjunct to the main suspect activity.

What to do:

Financial institutions should alert key personnel to the possible use of phone card sales to facilitate and/or conceal money laundering. Financial institutions should be sensitive to financial transactions by phone card businesses, retail or wholesale, when those businesses generate cash flows that are well beyond their normal business activity. The specific suspicious activity/methodology observed that involves phone cards and/or businesses involved in phone card sales should be described fully in the narrative section of the SAR, including the involvement of participants in foreign countries.

For additional information, comments, or questions concerning suspicious phone-card-related transactions, please call FinCEN's Office of Strategic Analysis at (703) 905-3545.

James F. Sloan, Director

This "SAR Information Bulletin" is part of a series of overviews of trends and patterns in money laundering derived from the SAR database. The SAR Information Bulletin Series is designed to highlight activities or issues that appear significant based on such factors as number of reports, number of financial institutions filing similar reports, aggregate dollar values, geographic distribution, and especially recurrent patterns of activity identified in SAR narratives. In no cases will information relating to particular institutions, businesses, or individuals be included in any Bulletin. Whether the information in a particular Bulletin is of relevance to a particular financial institution, of course, depends in many cases upon that institution's operating realities. In all cases, comments or other feedback would be welcome. Please forward comments on SAR Bulletins to the Financial Crimes Enforcement Network at 703-905-3698 (fax) or email ora@fincen.treas.gov.

SAR Bulletin is a product of the Financial Crimes Enforcement Network, U.S. Department of the Treasury, 2070 Chain Bridge Road, Vienna VA 22182. Please forward comments on SAR Bulletins to FinCEN at 703-905-3698 (fax) or email ora@fincen.treas.gov. For more information about FinCEN's programs, visit the FinCEN web site at http://www.treas.gov/fincen. General questions or comments regarding FinCEN publications should be addressed to the Office of Communications, FinCEN, (703) 905-3773. Information may also be faxed to (703) 905-3885.

PUBLIC DEBT NEWS

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

FOR RELEASE AT 3:00 PM
June 6, 2001

Contact: Peter Hollenbach
(202) 691-3502

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR MAY 2001

The Bureau of the Public Debt announced activity for the month of May 2001, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$2,116,978,239
Held in Unstripped Form	$1,940,494,986
Held in Stripped Form	$176,483,253
Reconstituted in May	$18,619,633

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 V 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 site at: **www.publicdebt.treas.gov**. A wide range of information about the public debt and Treasury securities is also available at the site.

oOo

PA-504

PO-414

TABLE V - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, MAY 31, 2001

Loan Description			Corpus STRIP CUSIP	Maturity Date	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	4,732,206	3,569,600	123,200
DQ8		12	AD5	05/15/05	4,260,758	1,912,108	2,348,650	12,600
DR6		10-3/4	AG8	08/15/05	9,269,713	5,800,213	3,469,500	50,400
DU9		9-3/8	AJ2	02/15/06	4,755,916	4,627,916	128,000	27,136
DN5		11-3/4	912800 AA7	11/15/14	6,005,584	2,067,184	3,938,400	237,600
DP0		11-1/4	912803 AA1	02/15/15	11,325,799	6,680,459	4,645,340	1,058,920
DS4		10-5/8	AC7	08/15/15	5,060,916	3,453,583	1,607,333	362,120
DT2		9-7/8	AE3	11/15/15	5,856,859	3,072,249	2,784,610	166,400
DV7		9-1/4	AF0	02/15/16	5,886,754	5,403,964	482,790	181,600
DW5		7-1/4	AH6	05/15/16	18,823,551	18,450,023	373,528	144,800
DX3		7-1/2	AK9	11/15/16	18,824,448	17,525,488	1,298,960	381,600
DY1		8-3/4	AL7	05/15/17	16,286,669	8,966,109	7,320,560	659,880
DZ8		8-7/8	AM5	08/15/17	12,339,358	9,566,557	2,772,801	357,200
EA2		9-1/8	AN3	05/15/18	7,072,439	2,950,039	4,122,400	235,200
EB0		9	AP8	11/15/18	7,614,470	3,562,870	4,051,600	700,400
EC8		8-7/8	AQ6	02/15/19	15,306,798	9,666,298	5,640,500	707,400
ED6		8-1/8	AR4	08/15/19	19,280,932	18,135,292	1,145,640	458,520
EE4		8-1/2	AS2	02/15/20	9,888,268	8,192,058	1,696,210	602,000
EF1		8-3/4	AT0	05/15/20	8,197,183	3,488,383	4,708,800	418,560
EG9		8-3/4	AU7	08/15/20	18,166,306	8,509,586	9,656,720	751,680
EH7		7-7/8	AV5	02/15/21	10,247,573	9,212,373	1,035,200	51,200
EJ3		8-1/8	AW3	05/15/21	10,473,788	5,989,348	4,484,440	644,480
EK0		8-1/8	AX1	08/15/21	10,173,482	8,791,374	1,382,108	535,860
EL8		8	AY9	11/15/21	31,177,194	12,755,954	18,421,240	2,542,500
EM6		7-1/4	AZ6	08/15/22	10,237,790	9,322,991	914,799	2,400
EN4		7-5/8	BA0	11/15/22	7,933,626	4,197,376	3,736,250	699,200
EP9		7-1/8	BB8	02/15/23	16,899,061	10,368,661	6,530,400	643,200
EQ7		6-1/4	BC6	08/15/23	22,659,044	19,163,428	3,495,616	341,504
ES3		7-1/2	BD4	11/15/24	9,704,162	3,338,722	6,365,440	705,280
ET1		7-5/8	BE2	02/15/25	10,634,170	3,775,709	6,858,461	302,400
EV6		6-7/8	BF9	08/15/25	11,695,207	7,610,400	4,084,807	309,593
EW4		6	BG7	02/15/26	12,837,916	11,419,016	1,418,900	110,700
EX2		6-3/4	BH5	08/15/26	10,018,418	7,499,818	2,518,600	279,800
EY0		6-1/2	BJ1	11/15/26	11,168,177	6,719,477	4,448,700	521,200
EZ7		6-5/8	BK8	02/15/27	10,210,971	6,927,771	3,283,200	321,600
FA1		6-3/8	BL6	08/15/27	10,015,756	8,063,756	1,952,000	204,800
FB9		6-1/8	BM4	11/15/27	22,046,339	13,999,539	8,046,800	1,990,400
FE3		5-1/2	BP7	08/15/28	11,776,201	11,183,001	593,200	24,000
FF0		5-1/4	BV4	11/15/28	10,947,052	10,456,352	490,700	28,000
FG8		5-1/4	BW2	02/15/29	11,350,341	10,986,341	364,000	2,400
FJ2		6-1/8	CG6	08/15/29	11,178,580	11,057,180	121,400	5,600
FM5		6-1/4	CH4	05/15/30	17,043,162	16,954,178	88,984	0
FP8		5-3/8	CK7	02/15/31	10,886,993	10,886,993	0	0
Total Treasury Bonds					513,839,530	367,442,343	146,397,187	17,903,333
Treasury Inflation-Indexed Notes:								
CUSIP:	Series:	Interest Rate:						
912827 3A8	J	3-5/8	912820 BZ9	07/15/02	18,500,773	18,500,773	0	0
2M3	A	3-3/8	BV8	01/15/07	17,523,494	17,523,494	0	0
3T7	A	3-5/8	CL9	01/15/08	18,334,172	18,225,115	109,057	0
4Y5	A	3-7/8	DN4	01/15/09	17,084,104	17,084,104	0	0
5W8	A	4-1/4	EK9	01/15/10	11,855,312	11,855,312	0	0
6R8	A	3-1/2	GA9	01/15/11	6,074,968	6,074,968	0	0
Total Inflation-Indexed Notes					89,372,825	89,263,768	109,057	0
Treasury Inflation-Indexed Bonds:								
CUSIP:		Interest Rate:						
912810 FD5		3-5/8	912803 BN2	04/15/28	18,309,811	18,309,811	0	0
FH6		3-7/8	CF8	04/15/29	21,136,968	21,003,000	133,968	0
Total Inflation-Indexed Bonds					39,446,779	39,312,811	133,968	0

TABLE V - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, MAY 31, 2001—Continued

Loan Description			Corpus STRIP CUSIP	Maturity Date	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 Y48	K	6-5/8	912820 FE2	06/30/01	14,282,240	14,282,240	0	0
5J7	Z	5-3/4	DX2	06/30/01	19,001,309	18,995,709	5,600	0
Y71	L	6-5/8	FF9	07/31/01	14,136,833	14,136,833	0	0
5L2	AB	5-1/2	DY0	07/31/01	20,541,318	20,083,318	458,000	0
B92	C	7-7/8	BB2	08/15/01	12,339,185	7,250,585	5,088,600	28,000
Z39	M	6-1/2	FG7	08/31/01	14,000,224	13,986,624	13,600	0
5P3	AC	5-1/2	EB9	08/31/01	20,118,595	20,118,595	0	0
Z54	N	6-3/8	FH5	09/30/01	14,518,514	14,480,114	38,400	0
5Q1	AD	5-5/8	EC7	09/30/01	18,797,828	18,297,028	500,800	0
Z88	P	6-1/4	FJ1	10/31/01	14,639,843	14,639,843	0	0
5R9	AE	5-7/8	ED5	10/31/01	19,196,002	19,194,402	1,600	0
D25	D	7-1/2	BC0	11/15/01	24,226,102	19,054,742	5,171,360	45,760
2C5	Q	5-7/8	EG8	11/30/01	33,504,627	33,499,827	4,800	0
2E1	R	6-1/8	EJ2	12/31/01	31,166,321	31,083,121	83,200	0
2G6	C	6-1/4	FK8	01/31/02	13,453,346	13,398,338	55,008	0
5X6	R	6-3/8	EL7	01/31/02	19,381,251	19,381,251	0	0
2L5	D	6-1/4	FL6	02/28/02	13,799,902	13,799,902	0	0
6A5	S	6-1/2	EN3	02/28/02	16,563,375	16,530,875	32,500	0
2P6	E	6-5/8	FM4	03/31/02	14,301,310	14,278,910	22,400	0
6B3	T	6-1/2	EP8	03/31/02	17,237,943	17,235,543	2,400	0
2S0	F	6-5/8	FN2	04/30/02	14,474,673	14,474,673	0	0
6C1	U	6-3/8	EQ6	04/30/02	17,390,900	17,390,900	0	0
F49	A	7-1/2	BD8	05/15/02	11,714,397	7,684,717	4,029,680	67,840
2W1	G	6-1/2	FP7	05/31/02	13,503,890	13,503,890	0	0
6E7	V	6-5/8	ES2	05/31/02	14,871,823	14,849,423	22,400	0
2Y7	H	6-1/4	FQ5	06/30/02	13,058,694	13,058,694	0	0
6F4	W	6-3/8	ET0	06/30/02	14,320,609	14,318,609	2,000	0
3C4	K	6	FR3	07/31/02	12,231,057	12,231,057	0	0
6H0	X	6-1/4	EU7	07/31/02	15,057,900	15,057,900	0	0
G55	B	6-3/8	BE6	08/15/02	23,859,015	20,025,553	3,833,462	24,080
3G5	L	6-1/4	FS1	08/31/02	12,731,742	12,731,742	0	0
6K3	Y	6-1/8	FU6	08/31/02	15,072,214	15,072,214	0	0
3J9	M	5-7/8	CC9	09/30/02	12,806,814	12,768,414	38,400	0
6L1	Z	6	FV4	09/30/02	15,144,335	15,144,335	0	0
3L4	N	5-3/4	CE5	10/31/02	26,593,892	26,534,692	59,200	0
3Q3	P	5-3/4	CH8	11/30/02	12,120,580	11,831,280	289,300	4,000
6P2	AC	5-5/8	FY8	11/30/02	15,058,528	14,990,688	67,840	0
3S9	Q	5-5/8	CK1	12/31/02	12,052,433	11,667,793	384,640	0
6Q0	AD	5-1/8	FZ5	12/31/02	14,822,027	14,822,027	0	0
3V2	C	5-1/2	CN5	01/31/03	13,100,640	13,100,640	0	0
6S6	L	4-3/4	GB7	01/31/03	15,452,604	15,452,604	0	0
J78	A	6-1/4	BF3	02/15/03	23,562,691	22,344,779	1,217,912	20,000
3Z3	D	5-1/2	CS4	02/28/03	13,670,354	13,626,354	44,000	0
6U1	M	4-5/8	GD3	02/28/03	14,685,095	14,685,095	0	0
4B5	E	5-1/2	CU9	03/31/03	14,172,892	14,172,092	800	0
6V9	N	4-1/4	GE1	03/31/03	14,674,853	14,674,853	0	0
4D1	F	5-3/4	CW5	04/30/03	12,573,248	12,573,248	0	0
6W7	P	4	GF8	04/30/03	13,338,475	13,338,475	0	0
4H2	G	5-1/2	DA2	05/31/03	13,132,243	13,103,843	28,400	0
6Y3	Q	4-1/4	GH4	05/31/03	13,334,228	13,334,228	0	0
4K5	H	5-3/8	DC8	06/30/03	13,126,779	13,125,179	1,600	0
L83	B	5-3/4	BG1	08/15/03	28,011,028	26,671,328	1,339,700	24,000
4N9	J	5-1/4	DE4	08/15/03	19,852,263	19,680,263	172,000	0
4U3	K	4-1/4	DJ3	11/15/03	18,625,785	17,607,285	1,018,500	1,500
N81	A	5-7/8	BH9	02/15/04	12,955,077	12,416,477	538,600	9,200
5A6	E	4-3/4	DQ7	02/15/04	17,823,228	17,823,228	0	0
P89	B	7-1/4	BJ5	05/15/04	14,440,372	13,794,772	645,600	800
5F5	F	5-1/4	DU8	05/15/04	18,925,383	18,925,383	0	0
Q88	C	7-1/4	BK2	08/15/04	13,346,467	11,842,467	1,504,000	20,000
5M0	G	6	DZ7	08/15/04	18,089,806	18,089,806	0	0
R87	D	7-7/8	BL0	11/15/04	14,373,760	14,368,960	4,800	0
5S7	H	5-7/8	EE3	11/15/04	32,658,145	32,658,145	0	0
S86	A	7-1/2	BM8	02/15/05	13,834,754	13,223,394	611,360	12,640
T85	B	6-1/2	BN6	05/15/05	14,739,504	14,739,104	400	0
6D9	E	6-3/4	ER4	05/15/05	28,562,370	28,562,370	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	14,836,720	373,200	40,000
6N7	F	5-3/4	FX0	11/15/05	28,062,797	28,024,397	38,400	0
W81	A	5-5/8	BR7	02/15/06	15,513,587	15,492,107	21,480	1,000
X80	B	6-7/8	BS5	05/15/06	16,015,475	15,627,795	387,680	960
6X5	E	4-5/8	GG6	05/15/06	16,180,509	16,180,509	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	12,967,494	136,184	0
2U5	C	6-5/8	BX4	05/15/07	13,958,186	13,671,111	287,075	41,600
3E0	D	6-1/8	CA3	08/15/07	25,636,803	25,235,203	401,600	43,200
3X8	B	5-1/2	CQ3	02/15/08	13,583,412	13,568,912	14,500	44,600
4F6	C	5-5/8	CY1	05/15/08	27,190,961	27,082,601	108,360	60,920
4V1	D	4-3/4	DK0	11/15/08	25,083,125	24,963,925	119,200	0
5G3	B	5-1/2	DV6	05/15/09	14,794,790	14,280,490	514,300	43,600
5N8	C	6	EA1	08/15/09	27,399,894	27,305,094	94,800	3,000
5Z1	B	6-1/2	EM5	02/15/10	23,355,709	23,342,909	12,800	179,600
6J6	C	5-3/4	FT9	08/15/10	22,437,594	22,436,994	600	0
6T4	B	5	GC5	02/15/11	23,436,329	23,436,329	0	0
Total Treasury Notes					1,474,319,105	1,444,476,064	29,843,041	716,300
Grand Total					2,116,978,239	1,940,494,986	176,483,253	18,619,633

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 7, 2001

Contact: Tara Bradshaw
(202) 622-2014

STATE-BY-STATE BREAKDOWN OF ADVANCE PAYMENT CHECKS

The table attached estimates the number of advance payment checks, and their total dollar amount, that will go to taxpayers in each state. The estimates are based on 1999 returns, while the actual checks will be based on 2000 returns.

-30-

PO-415

Taxpayers Receiving a Check in 2001

	Number of Checks (000)	Amount ($ millions)		Number of Checks (000)	Amount ($ millions)
United States	91,600	39,000			
Alabama	1,265	545	**Missouri**	1,793	771
Alaska	226	96	**North Carolina**	2,550	1,099
Arizona	1,525	650	**North Dakota**	207	89
Arkansas	730	313	**Nebraska**	574	248
California	10,589	4,453	**Nevada**	695	292
Colorado	1,525	652	**New Hampshire**	467	204
Connecticut	1,270	552	**New Jersey**	3,025	1,309
Delaware	278	119	**New Mexico**	507	212
Florida	5,103	2,118	**New York**	6,074	2,528
Georgia	2,515	1,078	**Ohio**	4,058	1,660
Hawaii	409	172	**Oklahoma**	972	418
Idaho	380	167	**Oregon**	1,121	482
Illinois	4,196	1,804	**Pennsylvania**	4,133	1,772
Indiana	2,027	885	**Rhode Island**	354	149
Iowa	974	426	**South Carolina**	1,219	516
Kansas	877	385	**South Dakota**	238	102
Kentucky	1,184	509	**Tennessee**	1,760	755
Louisiana	1,199	510	**Texas**	6,061	2,583
Maine	424	181	**Utah**	656	292
Maryland	1,912	824	**Vermont**	212	90
Massachusetts	2,357	997	**Virginia**	2,449	1,058
Michigan	3,340	1,451	**Washington**	2,062	895
Minnesota	1,772	772	**Wisconsin**	1,900	826
Montana	273	115	**West Virginia**	497	213
Mississippi	735	310	**Wyoming**	161	70
			District of Columbia	206	75
			Other Areas	565	206

Notes

This table shows estimates of the number of taxpayers who will receive a check in 2001 based on their return filed for 2000, and the total dollar amount of the checks they will receive. The estimates for each state are based on tabulations from all individual income tax returns filed and processed through the IRS Individual Master File (IMF) during calendar year 2000. Most returns filed in 2000 were for tax year 1999.

Classification by state was based on the address used on the return. Usually this address is the taxpayer's home address. However, some taxpayers may have used the address of a tax attorney or accountant, or a place of business, and that address could be in a different state than the taxpayer's home.

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FOR IMMEDIATE RELEASE
June 7, 2001

Contact: Tara Bradshaw
(202) 622-2014

President Bush's Tax Relief Plan Will Benefit Millions of American Taxpayers

Effects Of Major Individual Income Tax Relief Provisions In "Economic Growth And Tax Relief Reconciliation Act Of 2001"

The "Economic Growth and Tax Relief Reconciliation Act of 2001" will provide significant income tax relief to millions of taxpayers. A broad range of taxpayers will benefit from the tax relief provisions contained in the Act, including:

- 43 million married couples whose taxes, on average, will be lowered by $1,730.
- 38 million families with children who will receive an average tax cut of $1,463 to help pay for education, childcare, and other expenses.
- 11 million single mothers with children who will be able to keep, on average, $780 more of their income to meet their family's pressing needs.
- 13 million seniors whose taxes will be reduced, on average, by $924.
- 3.9 million individuals and families who will have their income tax liability completely eliminated by the Act.

The estimates of fully phased-in law are based on 2011 law at projected 2002 income and population levels. Estimates exclude tax benefits expiring before 2010 and assume no sunset.

-30-

PO-416

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
June 7, 2001

Contact: Tara Bradshaw
(202) 622-2960

O'NEILL STATEMENT ON THE TAX RELIEF BILL SIGNING

Treasury Secretary Paul O'Neill statement on the signing of the tax relief bill:

"President Bush today made good on a promise of tax relief for everyone who pays income taxes. With a stroke of his pen, the President has shown the American people that great things can happen when both parties work together and unite around principle.

"In the next few months income tax payers will receive the first installment of tax relief, in the form of a check. The bill the President signed today provides for significant and long-term tax reductions for all income tax payers. The average family with children will pay $1,463 less in federal income taxes when the entire tax relief package is effective. Income tax rates will fall, death will cease to be a taxable event, the child credit will increase, the marriage penalty will be reduced, and retirement and education savings options will be expanded.

"President Bush, together with Congress overcame defeatist deadlock and delivered to the nation tax relief that is fair, family friendly, fiscally sound, and a second wind for our economy.

"This tax cut is a promise delivered. It will have a real, positive effect on millions of Americans in all walks and stages of life."

-30-

PO-417

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
Friday, June 1, 2001

Contact Tony Fratto
at 202-622-2960.

DR. JOHN B. TAYLOR SWORN IN AS TREASURY UNDER SECRETARY FOR INTERNATIONAL AFFAIRS

John B. Taylor was sworn in this morning as Treasury Under Secretary for International Affairs by Secretary Paul O'Neill. The U.S. Senate voted to confirm Taylor on Saturday, May 27.

As Under Secretary for International Affairs, Taylor serves as the principal advisor to the Secretary on a wide range of international issues. He will lead development of policies and guidance of the Department's activities in the areas of international financial, economic and monetary affairs, trade and investment policy, international debt, and U.S. participation in international financial institutions.

Taylor will also help to coordinate United States economic policies with finance ministries of the G-7 industrial nations.

Taylor, a Stanford University economist, is a globally recognized expert on international monetary policy. He previously served as a member of the Council of Economic Advisers under President George H.W. Bush, and also was a delegate to the Uruguay Round of trade negotiations.

Taylor was born on December 8, 1946 in Yonkers, New York. He graduated from Princeton University in 1968 and received a doctorate in economics from Stanford University in 1973. He is married and has two children.

PO-418

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
June 7, 2001

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 $24,000 million to refund $39,811 million of publicly held bills maturing June 14, 2001, and to pay down about $15,811 million. The amount of maturing publicly held bills includes the 14-day cash management bills issued May 31, 2001, in the amount of $20,001 million.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $9,867 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of each auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers have requested that we reinvest their maturing holdings of approximately $985 million into the 13-week bill and $709 million into the 26-week bill.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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.

PO-419

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Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED JUNE 14, 2001

June 7, 2001

Offering Amount	$12,500 million	$11,500 million
Public Offering	Offering amount less the amount awarded for FIMA accounts	

Description of Offering:

Term and type of security	91-day bill	182-day bill
CUSIP number	912795 GR 6	912795 HX 2
Auction date	June 11, 2001	June 11, 2001
Issue date	June 14, 2001	June 14, 2001
Maturity date	September 13, 2001	December 13, 2001
Original issue date	March 15, 2001	June 14, 2001
Currently outstanding	$13,434 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 million at the highest discount rate of accepted competitive bids.

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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 Rate ....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

FOR IMMEDIATE RELEASE
June 11, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	June 14, 2001
Maturity Date:	September 13, 2001
CUSIP Number:	912795GR6

High Rate: 3.510% Investment Rate 1/: 3.590% Price: 99.113

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 14.80%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 24,051,072	$ 10,992,193
Noncompetitive	1,297,857	1,297,857
FIMA (noncompetitive)	210,000	210,000
SUBTOTAL	25,558,929	12,500,050 2/
Federal Reserve	4,748,450	4,748,450
TOTAL	$ 30,307,379	$ 17,248,500

Median rate 3.490%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.460%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 25,558,929 / 12,500,050 = 2.04

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,069,260,000

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 11, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	June 14, 2001
Maturity Date:	December 13, 2001
CUSIP Number:	912795HX2

High Rate: 3.510% Investment Rate 1/: 3.622% Price: 98.226

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 7.40%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 25,545,258	$ 10,492,984
Noncompetitive	982,222	982,222
FIMA (noncompetitive)	25,000	25,000
SUBTOTAL	26,552,480	11,500,206 2/
Federal Reserve	5,118,541	5,118,541
TOTAL	$ 31,671,021	$ 16,618,747

Median rate 3.490%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.440%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 26,552,480 / 11,500,206 = 2.31

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $780,614,000

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the week ending June 8, 2001. As indicated in this table, U.S. reserve assets totaled $65,060 million as of June 8, 2001, down from $65,279 million as of June 1, 2001.

(in US millions)

I. Official U.S. Reserve Assets		June 1, 2001			June 8, 2001	
TOTAL		65,279			65,060	
	Euro	Yen	TOTAL	Euro	Yen	TOTAL
1. Foreign Currency Reserves [1]						
a. Securities	5,057	11,063	16,120	5,090	10,929	16,018
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	8,558	4,790	13,347	8,619	4,731	13,350
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			14,285			*14,216*
3. Special Drawing Rights (SDRs) [2]			10,481			*10,430*
4. Gold Stock [3]			11,046			11,046
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for June 1 are final. The entries in the table above for June 8 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2221 per fine troy ounce. Values shown are as of April 30, 2001. The March 31, 2001 value was $11,046 million.

PO-422

*U.S. Government Printing Office 1998 - 619-559

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets

	June 1, 2001	June 8, 2001
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets

	June 1, 2001	June 8, 2001
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

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EMBARGOED UNTIL 2:00 P.M.
Tuesday, June 12, 2001

Contact: Office of Public Affairs
(202) 622-2960

STATEMENT BY TREASURY DEPUTY ASSISTANT SECRETARY WILLIAM E. SCHUERCH TO THE SUBCOMMITTEE ON INTERNATIONAL MONETARY POLICY AND TRADE OF THE HOUSE FINANCIAL SERVICES COMMITTEE

June 12, 2001

Chairman Bereuter, Ranking Member Sanders, members of the Subcommittee, I thank you for the opportunity to testify before you on the authorization requests requiring action this year.

Treasury's appropriations request for international programs this year totals $1.4 billion: $1.2 billion in scheduled commitments to the multilateral development banks (MDBs) and $.2 billion for debt reduction. The request reflects a substantial reduction – from $1.9 billion in FY1996 -- in U.S. commitments to the MDBs as a result of international negotiations in recent years. Today's testimony focuses on the three authorization requests requiring action this year: $412 million over 4 years (2001-2004) for the U.S. contribution to the seventh replenishment of the Asian Development Fund (AsDF-8); $30 million over 2 years (2001-2002) for the U.S. contribution to the fifth replenishment of the International Fund for Agricultural Development (IFAD-V); and an additional contribution of up to $165 million to complete the U.S. pledge to the HIPC Trust Fund.

We request these authorizations because they represent commitments negotiated by the U.S. that should be adhered to and that support U.S. interests. As Secretary O'Neill has said, the Administration is working hard to ensure that hard-earned U.S. taxpayer dollars go to MDBs that are more focused on the core mandate of improving living standards around the world through increased productivity and that are held more rigorously accountable through results-based performance indicators. We also believe that the MDBs can improve their coordination. More work is needed to bring greater consistency where more than one institution is operating in a particular country and in sharing lessons learned and best-practice policies and procedures. Now that the Treasury Department's Under Secretary for International Affairs, John Taylor, has been confirmed, he will be working closely with the Secretary to develop, implement, and coordinate the Secretary's International Financial Institutions reform agenda.

PO-423

*U.S. Government Printing Office 1998 - 619-559

Asian Development Fund (AsDF-8)

In 2000, the United States pledged $412 million over four years toward the $5.6 billion seventh replenishment of the AsDF, the concessional lending window that provides assistance and policy advice to the 29 poorest countries in the region. Over the next four years, the AsDF is expected to lend more than $13 for every $1 contributed by the U.S. Several U.S. objectives at that time were achieved as part of last year's replenishment negotiation, most notably:

- Agreement to put in place for the first time a performance-based resource allocation system, including explicit consideration of good governance and efforts to combat corruption.

- Increased assistance for poverty reduction to about 40% of lending, with heavy emphasis on education.

- Increased transparency and participation by civil society in the preparation of country lending strategies.

- Improved systems for measuring results, including upgrading the evaluation office and establishing a Board committee on development effectiveness.

- Conclusion of a Memorandum of Understanding with the World Bank to enhance coordination and better delineate responsibilities in the region.

Completion of the U.S. commitment is vital to maintain strong U.S. leadership in shaping AsDF policies and operations.

International Fund for Agricultural Development (IFAD-V)

In 2000, at the request of U.S. Agency for International Development, (USAID) Treasury assumed lead agency responsibility for IFAD and the U.S. pledged $30 million over two years toward IFAD's fifth replenishment. Nearly 75% of the world's 1.2 billion poorest people live in rural areas, largely as small-scale or subsistence farmers. IFAD's specific mandate to increase the productivity and incomes of these target farmers is consistent with the Administration's international assistance priorities.

Several U.S. objectives at that time were achieved under last year's IFAD-V replenishment negotiation, including:

- Greater consideration of country governance and domestic policy criteria in assistance strategies and allocation decisions.

- Expanded co-financing to cover at least 30% of IFAD's annual commitment level to leverage increased resources for poverty reduction.

- IFAD's full participation in HIPC.

HIPC Debt Relief Trust Fund

Important progress was made last year when Congress authorized $435 million in U.S. contributions to the HIPC Trust Fund, of which $360 million has been appropriated thus far. The FY2002 authorization request is for the final $165 million of the U.S. pledge of $600 million to the HIPC Trust Fund. The Trust Fund helps regional development banks and other multilateral institutions meet the costs of providing debt reduction to heavily indebted poor countries committed to economic, social and governance reforms. Twenty-three countries have begun receiving debt relief under the enhanced HIPC program, amounting to $34 billion in nominal terms. On top of this, the United States and many other creditor countries are canceling Official Development Assistance (ODA) debt and also reducing commercial debt beyond the level required under the HIPC framework. As a consequence, the debt service ratios of these countries will be significantly lower than previously, and indeed significantly lower than the average for other countries with similar per capita income levels.

The success of the HIPC Initiative ultimately depends on country efforts to put in place sound policies to use resources effectively, strengthen productivity and growth, and invest in the social sectors, thereby reducing poverty. I understand that several members of Congress as well as non-governmental organizations (NGOs) are advocating various proposals to deepen the debt relief program, including writing off entirely the debt of the current eligible HIPCs. The costs of these proposals are tremendous – more than the IFIs themselves can bear without taking resources away from good performing countries or accelerating the need for significant new capital to finance their lending activities.

Secretary O'Neill has stated that more experience should be gained under the existing program given its relative nascent stage – only 2 countries (Uganda and Bolivia) have reached completion point – before embarking on a new program. The current program goes well beyond earlier efforts and is aimed at putting these countries on a sustainable debt profile. It was not designed as a panacea for the myriad of challenges HIPC countries face, nor as a guarantee that countries will not fall back into unsustainable debt. Rather, it was envisaged as one element of a much broader development agenda that includes trade, investment, and economic assistance, coupled with careful consideration of the appropriate lending instruments to facilitate effective, accountable reform. Before considering additional debt proposals, we need to consider where scarce resources of the U.S. and of the IFIs best leverage improving the domestic conditions necessary for sustained productivity growth and increased living standards. To address the vulnerable situation in most HIPCs even after debt relief, Secretary O'Neill has made it clear that the Administration is extremely interested in the increased use of grants for performing countries.

MDB Involvement in Africa

The reform agenda that confronts Africa remains formidable indeed. Economic growth in Sub-Saharan Africa continues to lag behind that of other regions in the world due to such factors as insecurity and warfare, poor governance, the plague of infectious diseases (especially HIV/AIDS), unfavorable trends in commodity prices, and natural disasters.

But the overall economic picture in sub-Saharan Africa is not all bleak -- average growth in the region was an estimated 3.3 percent in 2000 and is expected to rise to 4.3 percent in 2001. This compares to estimated average growth of 2.6 percent in the ten years 1992-2001. The main reason for the improvement appears to have been the continuing pattern of reform in many countries, resulting in more flexible exchange rates, better fiscal control, greater economic stability, more open and transparent trade and investment regimes, and further reduction in the direct economic role of governments. There are still significant challenges, but Secretary O'Neill has made clear the Administration's commitment to facilitating growth and development in Africa. Indeed, this commitment is evidenced by the Secretary of State's visit last month and the recent announcement by President Bush that he will convene the first US-Africa Economic Forum in Washington this coming October. Important events such as President Bush's pledge of $200 million as a U.S. contribution to the new global fund to fight HIV/AIDS, malaria and tuberculosis and the commemoration of the passage of the Africa Growth and Opportunity Act are equally important demonstrations of our solid partnership with Africa.

U.S. participation in the MDBs is another important pillar of our commitment to improving the living standards of African people. Each year, approximately $4 billion is applied to African programs by the World Bank Group and the African Development Bank Group. The U.S. has a leadership role in both institutions on shaping their operations and directing the resources to achieve higher growth and reduced poverty in the region. Secretary O'Neill has called for improving living standards via increased productivity as the primary objective of our work through the MDBs, and this surely will be a mainstay in our evolving thinking on a strategy for Africa.

The MDBs, therefore, need to focus their operations on a core set of activities that reflect their comparative advantage and are capable of yielding high-impact productivity gains. While successful poverty reduction requires a broad range of complementary actions, without productivity-led economic growth, the benefits from increased aid will be welcome but also incomplete and inevitably unsustainable. We recognize that there are substantial challenges. We believe also, however, that by focusing on key priorities that hinder productivity, MDB assistance can have a greater impact. This is not to say that poverty can be wiped out simply by encouraging growth and productivity or by increasing labor and capital. Other policy and program changes are necessary to enable the poor to fully enjoy increased economic opportunities. The widespread provision of social services – especially education -- is, for example, a necessary complement to growth. Healthier, better-educated people are more productive and they are better able to take advantage of the new economic opportunities (including new technologies) opened by economic growth. In that respect, continued support for programs that fight infectious diseases, particularly HIV/AIDS, tuberculosis and malaria, is important.

We are currently negotiating replenishments of IDA and the African Development Fund – the two largest sources of multilateral concessional assistance to Africa. Now that Under Secretary Taylor is confirmed, he will be striving to achieve the broad goals already laid out by the Secretary, in addition to more detailed policy proposals that are currently being developed and evolving. We will be collaborating with our colleagues at the other agencies in developing an effective approach for the continent. I see today's testimony as an opportunity to hear your views on this subject, provide any background information that I can, and stress the Administration's support for the authorization requests before this Subcommittee.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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For Release at 12:00 noon
June 14, 2001

STATEMENT OF
THE OFFICE OF TAX POLICY
DEPARTMENT OF THE TREASURY
BEFORE THE SUBCOMMITTEE ON SELECT REVENUE MEASURES
COMMITTEE ON WAYS AND MEANS

Mr Chairman, Mr. McNulty, and Members of the Subcommittee:

It is the goal of this Administration to pursue an energy policy that protects America's economic, security, and environmental interests. As you know, in May the President's National Energy Policy Development (NEPD) Group released its report entitled "Reliable, Affordable, and Environmentally Sound Energy for America's Future." The report sets forth three basic features of a National Energy Policy:

> The Policy is a long-term, comprehensive strategy. Our energy crisis has been years in the making, and will take years to put fully behind us.
>
> The Policy will advance new, environmentally friendly technologies to increase energy supplies and encourage cleaner, more efficient energy use.
>
> The Policy seeks to raise the living standards of the American people, recognizing that to do so our country must fully integrate its energy, environmental, and economic policies.

In that context, the Office of Tax Policy appreciates the opportunity to present testimony on tax incentives to promote energy conservation and increase domestic production of oil and gas.

Energy Efficiency and Alternative Energy Sources

Incentives for energy efficiency and alternative energy sources are essential elements of national energy policy. The continuing strength of our economy over the past two years, despite oil price rises, underscores the dramatic improvements in energy efficiency we have achieved over the past quarter century, as well as the changing economy. While past oil shortages have taken a

PO-424

significant toll on the U.S. economy, the recent increases in oil prices have not affected the economy much. Increased energy efficiency in cars, homes, and manufacturing has helped insulate the economy from these short-term market fluctuations. In 1974, we consumed 15 barrels of oil for every $10,000 of gross domestic product. Today we consume only 8 barrels of oil for the same amount (in constant dollars) of economic output.

Current law tax incentives for energy efficiency and alternative fuels

Tax incentives currently provide an important element of support for energy-efficiency improvements and increased use of renewable and alternative fuels. Current incentives are estimated to total $1.2 billion for fiscal years 2002 through 2006. They include a tax credit for electric vehicles and expensing for clean-fuel vehicles ($20 million), a tax credit for the production of electricity from wind or biomass and a tax credit for certain solar energy property ($590 million), and an exclusion from gross income for certain energy conservation subsidies provided by public utilities to their customers ($580 million).[1]

Electric and clean-fuel vehicles and clean-fuel vehicle refueling property

A 10-percent tax credit is provided for the cost of a qualified electric vehicle, up to a maximum credit of $4,000. A qualified electric vehicle is a motor vehicle that is powered primarily by an electric motor drawing current from rechargeable batteries, fuel cells, or other portable sources of electric current, the original use of which commences with the taxpayer, and that is acquired for use by the taxpayer and not for resale. The full amount of the credit is available for purchases prior to 2002. The credit begins to phase down in 2002 and does not apply to vehicles placed in service after 2004.

Certain costs of qualified clean-fuel vehicles and clean-fuel vehicle refueling property may be deducted when such property is placed in service. Qualified electric vehicles do not qualify for the clean-fuel vehicle deduction. The deduction begins to phase down in 2002 and does not apply to property placed in service after 2004.

Energy from wind or biomass

A 1.5-cent-per-kilowatt-hour tax credit is provided for electricity produced from wind, "closed-loop" biomass (organic material from a plant that is planted exclusively for purposes of being used at a qualified facility to produce electricity), and poultry waste. The electricity must be sold to an unrelated person and the credit is limited to the first 10 years of production. The credit applies only to facilities placed in service before January 1, 2002. The credit amount is indexed for inflation after 1992.

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[1] *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2002*, U.S. Government Printing Office, Washington, DC, 2001, p. 63.

Solar energy

A 10-percent investment tax credit is provided to businesses for qualifying equipment that uses solar energy to generate electricity, to heat or cool or provide hot water for use in a structure, or to provide solar process heat.

Ethanol and renewable source methanol

An income tax credit and an excise tax exemption are provided for ethanol and renewable source methanol used as a fuel. In general, the income tax credit is 53 cents per gallon for ethanol and 60 cents per gallon for renewable source methanol. As an alternative to the income tax credit, gasohol blenders may claim an equivalent gasoline tax exemption for each ethanol and renewable source methanol that is blended into qualifying gasohol.

The income tax credit expires on December 31, 2007, and the excise tax exemption expires on September 30, 2007. In addition, the ethanol credit and exemption are each reduced by 1 cent per gallon in 2003 and by an additional 1 cent per gallon in 2005. Neither the credit nor the exemption applies during any period in which motor fuel taxes dedicated to the Highway Trust Fund are limited to 4.3 cents per gallon. Under current law, the motor fuel tax dedicated to the Highway Trust Fund will be limited to 4.3 cents per gallon beginning on October 1, 2005.

Energy conservation subsidies

Subsidies provided by public utilities to their customers for the purchase or installation of energy conservation measures are excluded from the customers' gross income. An energy conservation measure is any installation or modification primarily designed to reduce consumption of electricity or natural gas or to improve the management of energy demand with respect to a dwelling unit.

Administration budget proposals

The Administration's budget proposals for fiscal year 2002 include tax incentives for renewable energy resources. The budget also proposes to modify the tax treatment of nuclear decommissioning funds. The Administration's proposals are described below.[2]

Electricity from wind and biomass

The Administration proposes to extend the credit for electricity produced from wind and biomass for three years to facilities placed in service before January 1, 2005. In addition, eligible biomass sources would be expanded to include certain biomass from forest-related resources,

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[2] For a more detailed description, see *General Explanations of the Administration's Fiscal Year 2002 Tax Relief Proposals*, Department of the Treasury, April 2001.

agricultural sources, and other specified sources. Special rules would apply to biomass facilities placed in service before January 1, 2002. Electricity produced at such facilities from newly eligible sources would be eligible for the credit only from January 1, 2002, through December 31, 2004. The credit for such electricity would be computed at a rate equal to 60 percent of the generally applicable rate. Electricity produced from newly eligible biomass co-fired in coal plants would also be eligible for the credit only from January 1, 2002, through December 31, 2004. The credit for such electricity would be computed at a rate equal to 30 percent of the generally applicable rate.

Residential solar energy systems

The Administration proposes a new tax credit for individuals that purchase solar energy equipment used to generate electricity (photovoltaic equipment) or heat water (solar water heating equipment) for use in a dwelling unit that the individual uses as a residence. The credit would be available only for equipment used exclusively for purposes other than heating swimming pools. The proposed credit would be equal to 15 percent of the cost of the equipment and its installation. The credit would be nonrefundable and an individual would be allowed a lifetime maximum credit of $2,000 per residence for photovoltaic equipment and $2,000 per residence for solar water heating equipment. The credit would apply only to solar water heating equipment placed in service after December 31, 2001, and before January 1, 2006, and to photovoltaic systems placed in service after December 31, 2001, and before January 1, 2008.

Nuclear decommissioning funds

The Administration proposes to repeal the current law provision that limits deductible contributions to a nuclear decommissioning fund to the amount included in the taxpayer's cost of service for ratemaking purposes. Thus, unregulated taxpayers would be allowed a deduction for amounts contributed to a qualified nuclear decommissioning fund. The Administration also proposes to permit funding of all decommissioning costs (including pre-1984 costs) through qualified nuclear decommissioning funds. Contributions to fund pre-1984 costs would be deductible except to the extent a deduction (other than under the qualified fund rules) or an exclusion from income has been previously allowed with respect to those costs. The Administration's proposal would clarify that any transfer of a qualified nuclear decommissioning fund in connection with the transfer of the power plant with which it is associated would be nontaxable and no gain or loss will be recognized by the transferor or transferee as a result of the transfer. In addition, the proposal would permit taxpayers to make deductible contributions to a qualified fund after the end of the nuclear power plant's estimated useful life and would provide that nuclear decommissioning costs are deductible when paid.

NEPD Group proposals

The Report of the NEPD Group also included tax incentives for renewable energy resources and for more efficient energy use. The NEPD Group proposals are described below.[3]

Fuel from landfill methane

The NEPD Group proposes to extend the section 29 credit for fuel produced from landfill methane produced at a facility (or portion of a facility) that is placed in service after December 31, 2001. Fuel produced at such facilities would be eligible for the credit through December 31, 2010. The proposal would also expand the credit by permitting the credit for fuel used by the taxpayer to produce electricity. The credit for fuel produced at landfills subject to EPA's 1996 New Source Performance Standards/Emissions Guidelines would be limited to two-thirds of the otherwise applicable amount. In the case of landfills with facilities that currently qualify for the section 29 credit, this limitation would not apply until after 2007.

Ethanol and renewable source methanol

The NEPD Group proposes to extend the income tax credit and excise tax exemption for ethanol and renewable source methanol through December 31, 2010. The current law rule providing that neither the credit nor the exemption applies during any period in which motor fuel taxes dedicated to the Highway Trust Fund are limited to 4.3 cents per gallon would be retained. As under current law, the credit and the exemption would each be reduced by 1 cent per gallon in 2003 and by an additional 1 cent per gallon in 2005.

Hybrid and fuel cell vehicles

The NEPD Group proposes to provide temporary tax credits for certain hybrid and fuel cell vehicles.

A credit of $250 to $4,000 would be available for purchases of qualifying hybrid vehicles after December 31, 2001, and before January 1, 2008. A hybrid vehicle is a vehicle that draws propulsion from both an on-board internal combustion or heat engine using combustible fuel and an on-board rechargeable energy storage system. To qualify for the minimum credit, a hybrid vehicle would be required to derive at least 5 percent of its maximum available power from the rechargeable energy storage system. Larger credits would be available for vehicles that derive larger percentages of power from the rechargeable energy storage system and for vehicles that meet specified fuel economy standards.

A credit of $1,000 to $8,000 would be available for the purchase of qualifying fuel cell vehicles after December 31, 2001, and before January 1, 2008. A fuel cell vehicle is a motor

[3] For a more detailed description, see the attachments to this testimony.

vehicle propelled by power derived from one or more cells that convert chemical energy directly into electricity by combining oxygen with on-board hydrogen (including hydrogen produced from on-board fuel that requires reformation before use). To qualify for the minimum credit, a fuel cell vehicle would be required to meet a minimum fuel economy standard for its weight class. Larger credits would be available for vehicles that achieve higher fuel economy standards.

Combined heat and power systems

To encourage more efficient energy usage, the NEPD Group proposes to provide a 10-percent investment credit for qualifying combined heat and power (CHP) systems. CHP systems are used to produce electricity (and/or mechanical power) and usable heat from the same primary energy source. To qualify for the credit, a system would be required to produce at least 20 percent of its total useful energy in the form of thermal energy and at least 20 percent in the form of electrical and/or mechanical power and would also be required to satisfy an energy efficiency standard. The credit would apply to CHP equipment placed in service after December 31, 2001, and before January 1, 2007.

Increasing Domestic Oil and Gas Production

Before turning to a discussion of the present tax treatment of oil and gas activities, we would like to provide a brief overview of this sector.

Overview

Oil is an internationally traded commodity with its domestic price set by world supply and demand. Domestic exploration and production activity is affected by the world price of crude oil. Historically, world oil prices have fluctuated substantially. From 1970 to the early 1980s, there was a fivefold increase in real oil prices. World oil prices fell sharply in 1986 and were relatively more stable from 1986 through 1997. During that period, average refiner acquisition costs ranged from $14.91 to $23.59 per barrel in real 1992 dollars. In 1998, however, oil costs to the refiner declined to $12.52 per barrel in nominal dollars ($11.14 per barrel in 1992 dollars), their lowest level in 25 years in real terms. Since 1998, the decline has reversed with refiner acquisition costs (in nominal dollars) rising to $17.51 per barrel in 1999 and $27.69 per barrel in 2000 (the price has since dropped to $23.89 per barrel in April 2001, the latest month for which composite figures are available). The equivalent prices in 1992 dollars are $15.31 per barrel in 1999, $24.28 per barrel in 2000, and $20.20 per barrel in April 2001.

Domestic oil production has been on the decline since the mid-1980s. From 1978 to 1983 oil consumption in the United States also declined, but increasing consumption since 1983 has more than offset this decline. In 2000, domestic oil consumption was 28 percent higher than in 1970. The decline in oil production and increase in consumption have led to an increase in oil imports. Net petroleum (crude and product) imports have risen from approximately 38 percent of consumption in 1988 to 52 percent in 2000.

A similar pattern of large recent price increases and increasing dependence on imports has occurred in the natural gas market. During the second half of the 1990s, spot prices for natural gas exceeded $4.00 per million Btu (MMBtu) in only one month (February 1996). The spot price again exceeded $4.00 per MMBtu in May 2000, rose above $5.00 per MMBtu in September 2000, and exceeded $10.00 per MMBtu for several days last winter. Since last winter the price has fallen sharply. The current spot price is approximately $3.71 per MMBtu.[4]

The United States has large natural gas reserves and was essentially self-sufficient in natural gas until the late 1980s. Since 1986, natural gas consumption has increased by more than 30 percent but natural gas production has increased by only 17 percent. Net imports as a share of consumption nearly quadrupled from 1986 to 2000, rising from 4.2 percent to 15.6 percent. Natural gas from Canada makes up nearly all of the imports into the United States.

Current law tax incentives for oil and gas production

Although the Administration's energy plan contains no new tax incentives for oil and gas production, the Internal Revenue Code includes a variety of measures to stimulate domestic exploration and production. They are generally justified on the ground that they reduce vulnerability to an oil supply disruption through increases in domestic production, reserves, exploration activity, and production capacity. The tax incentives contained in present law address the drop in domestic exploratory drilling that has occurred since the mid-1950s and the continuing loss of production from mature fields and marginal properties.

Incentives for oil and gas production are estimated to total $9.8 billion for fiscal years 2002 through 2006.[5] They include the nonconventional fuels (i.e., oil produced from shale and tar sands, gas produced from geopressured brine, Devonian shale, coal seams, tight formations, or biomass, and synthetic fuel produced from coal) production credit ($2.4 billion), the enhanced oil recovery credit ($4.4 billion), the allowance of percentage depletion for independent producers and royalty owners, including increased percentage depletion for stripper wells ($2.3 billion), the exception from the passive loss limitation for working interests in oil and gas properties ($100 million), and the expensing of intangible drilling and development costs ($640 million). In addition to those tax expenditures, oil and gas activities have largely been eliminated from the alternative minimum tax. These provisions are described in detail below.

Percentage depletion

Certain costs incurred prior to drilling an oil- or gas-producing property are recovered through the depletion deduction. These include costs of acquiring the lease or other interest in

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[4] All price references are to the spot price at the Henry Hub and are in nominal dollars.

[5] *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2002*, U.S. Government Printing Office, Washington, DC, 2001, p. 63.

the property, and geological and geophysical costs (in advance of actual drilling). Any taxpayer having an economic interest in a producing property may use the cost depletion method. Under this method, the basis recovery for a taxable year is proportional to the exhaustion of the property during the year. The cost depletion method does not permit cost recovery deductions that exceed the taxpayer's basis in the property or that are allowable on an accelerated basis. Thus, the deduction for cost depletion is not generally viewed as a tax incentive.

Independent producers and royalty owners (as contrasted to integrated oil companies)[6] may qualify for percentage depletion. A qualifying taxpayer determines the depletion deduction for each oil or gas property under both the percentage depletion method and the cost depletion method and deducts the larger of the two amounts. Under the percentage depletion method, generally 15 percent of the taxpayer's gross income from an oil- or gas-producing property is allowed as a deduction in each taxable year. The amount deducted may not exceed 100 percent of the net income from that property in any year (the "net-income limitation").[7] Additionally, the percentage depletion deduction for all oil and gas properties may not exceed 65 percent of the taxpayer's overall taxable income (determined before such deduction and adjusted for certain loss carrybacks and trust distributions).[8]

A taxpayer may claim percentage depletion with respect to up to 1,000 barrels of average daily production of domestic crude oil or an equivalent amount of domestic natural gas. For producers of both oil and natural gas, this limitation applies on a combined basis. All production

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[6] An independent producer is any producer who is not a "retailer" or "refiner." A retailer is any person who directly, or through a related person, sells oil or natural gas or any product derived therefrom (1) through any retail outlet operated by the taxpayer or related person, or (2) to any person that is obligated to market or distribute such oil or natural gas (or product derived therefrom) under the name of the taxpayer or the related person, or that has the authority to occupy any retail outlet owned by the taxpayer or a related person. Bulk sales of crude oil and natural gas to commercial or industrial users, and bulk sales of aviation fuel to the Department of Defense, are not treated as retail sales for this purpose. Further, a person is not a retailer within the meaning of this provision if the combined gross receipts of that person and all related persons from the retail sale of oil, natural gas, or any product derived therefrom do not exceed $5 million for the taxable year. A refiner is any person who directly or through a related person engages in the refining of crude oil, but only if such person or related person has a refinery run in excess of 50,000 barrels per day on any day during the taxable year.

[7] By contrast, for any other mineral qualifying for the percentage depletion deduction, the deduction may not exceed 50 percent of the taxpayer's taxable income from the depletable property.

[8] Amounts disallowed as a result of this rule may be carried forward and deducted in subsequent taxable years, subject to the 65-percent-of-taxable-income limitation for those years.

owned by businesses under common control and members of the same family must be aggregated; each group is then treated as one producer for application of the 1,000-barrel limitation.

Special percentage depletion provisions apply to oil and gas production from marginal properties. The statutory percentage depletion rate is increased (from the general rate of 15 percent) by one percentage point for each whole dollar that the average price of crude oil (as determined under the provisions of the nonconventional fuels production credit of section 29) for the immediately preceding calendar year is less than $20 per barrel. In no event may the rate of percentage depletion under this provision exceed 25 percent for any taxable year. The increased rate applies for the taxpayer's taxable year which immediately follows a calendar year for which the average crude oil price falls below the $20 floor. To illustrate the application of this provision, the average price of a barrel of crude oil for calendar year 1999 was $15.56; thus, the percentage depletion rate for production from marginal wells was increased by four percent (to 19 percent) for taxable years beginning in 2000. The 100-percent-of-net-income limitation has been suspended for marginal wells for taxable years beginning after December 31, 1997, and before January 1, 2002. The Administration's budget for fiscal year 2002 proposes a one-year extension of this provision. Under the Administration proposal, marginal wells would continue to be exempt from the limitation during taxable years beginning in 2002.

Marginal production is defined for this purpose as domestic crude oil or domestic natural gas which is produced during any taxable year from a property which (1) is a stripper well property for the calendar year in which the taxable year begins, or (2) is a property substantially all of the production from which during such calendar year is heavy oil (i.e., oil that has a weighted average gravity of 20 degrees API or less corrected to 60 degrees Fahrenheit). A stripper well property is any oil or gas property for which daily average production per producing oil or gas well is not more than 15 barrel equivalents in the calendar year during which the taxpayer's taxable year begins.[9] A property qualifies as a stripper well property for a calendar year only if the wells on such property were producing during that period at their maximum efficient rate of flow.

If a taxpayer's property consists of a partial interest in one or more oil- or gas-producing wells, the determination of whether the property is a stripper well property or a heavy oil property is made with respect to total production from such wells, including the portion of total production attributable to ownership interests other than the taxpayer's. If the property satisfies the requirements of a stripper well property, then each owner receives the benefits of this provision with respect to its allocable share of the production from the property for its taxable year that begins during the calendar year in which the property so qualifies.

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[9] Equivalent barrels is computed as the sum of (1) the number of barrels of crude oil produced, and (2) the number of cubic feet of natural gas produced divided by 6,000. If a well produced 10 barrels of crude oil and 12,000 cubic feet of natural gas, its equivalent barrels produced would equal 12 (i.e., 10 + (12,000 / 6,000)).

The allowance for percentage depletion on production from marginal oil and gas properties is subject to the 1,000-barrel-per-day limitation discussed above. Unless a taxpayer elects otherwise, marginal production is given priority over other production for purposes of utilization of that limitation.

Because percentage depletion, unlike cost depletion, is computed without regard to the taxpayer's basis in the depletable property, cumulative depletion deductions may be far greater than the amount expended by the taxpayer to acquire or develop the property.

Intangible drilling and development costs

In general, costs that benefit future periods must be capitalized and recovered over such periods for income tax purposes, rather than being expensed in the period the costs are incurred. In addition, the uniform capitalization rules require certain direct and indirect costs allocable to property to be included in inventory or capitalized as part of the basis of such property. In general, the uniform capitalization rules apply to real and tangible personal property produced by the taxpayer or acquired for resale.

Special rules apply to intangible drilling and development costs ("IDCs").[10] Under these special rules, an operator (i.e., a person who holds a working or operating interest in any tract or parcel of land either as a fee owner or under a lease or any other form of contract granting working or operating rights) who pays or incurs IDCs in the development of an oil or gas property located in the United States may elect either to expense or capitalize those costs. The uniform capitalization rules do not apply to otherwise deductible IDCs.

If a taxpayer elects to expense IDCs, the amount of the IDCs is deductible as an expense in the taxable year the cost is paid or incurred. Generally, IDCs that a taxpayer elects to capitalize may be recovered through depletion or depreciation, as appropriate; or in the case of a

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[10] IDCs include all expenditures made by an operator for wages, fuel, repairs, hauling, supplies, etc., incident to and necessary for the drilling of wells and the preparation of wells for the production of oil and gas. In addition, IDCs include the cost to operators of any drilling or development work (excluding amounts payable only out of production or gross or net proceeds from production, if the amounts are depletable income to the recipient, and amounts properly allocable to the cost of depreciable property) done by contractors under any form of contract (including a turnkey contract). Such work includes labor, fuel, repairs, hauling, and supplies which are used in the drilling, shooting, and cleaning of wells; in such clearing of ground, draining, road making, surveying, and geological works as are necessary in preparation for the drilling of wells; and in the construction of such derricks, tanks, pipelines, and other physical structures as are necessary for the drilling of wells and the preparation of wells for the production of oil and gas. Generally, IDCs do not include expenses for items which have a salvage value (such as pipes and casings) or items which are part of the acquisition price of an interest in the property.

nonproductive well ("dry hole"), the operator may elect to deduct the costs. In the case of an integrated oil company (i.e., a company that engages, either directly or through a related enterprise, in substantial retailing or refining activities) that has elected to expense IDCs, 30 percent of the IDCs on productive wells must be capitalized and amortized over a 60-month period.[11]

A taxpayer that has elected to deduct IDCs may, nevertheless, elect to capitalize and amortize certain IDCs over a 60-month period beginning with the month the expenditure was paid or incurred. This rule applies on an expenditure-by-expenditure basis; that is, for any particular taxable year, a taxpayer may deduct some portion of its IDCs and capitalize the rest under this provision. This allows the taxpayer to reduce or eliminate IDC adjustments or preferences under the alternative minimum tax.

The election to deduct IDCs applies only to those IDCs associated with domestic properties.[12] For this purpose, the United States includes certain wells drilled offshore.[13]

Intangible drilling costs are a major portion of the costs necessary to locate and develop oil and gas reserves. Because the benefits obtained from these expenditures are of value throughout the life of the project, these costs would be capitalized and recovered over the period of production under generally applicable accounting principles.

Nonconventional fuels production credit

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[11] The IRS has ruled that if an integrated oil company ceases to be an integrated oil company, it may not immediately write off the unamortized portion of the IDCs capitalized under this rule, but instead must continue to amortize those IDCs over the 60-month amortization period.

[12] In the case of IDCs paid or incurred with respect to an oil or gas well located outside of the United States, the costs, at the election of the taxpayer, are either (1) included in adjusted basis for purposes of computing the amount of any deduction allowable for cost depletion or (2) capitalized and amortized ratably over a 10-year period beginning with the taxable year such costs were paid or incurred.

[13] The term "United States" for this purpose includes the seabed and subsoil of those submerged lands that are adjacent to the territorial waters of the United States and over which the United States has exclusive rights, in accordance with international law, with respect to the exploration and exploitation of natural resources (i.e., the Continental Shelf area).

Taxpayers that produce certain qualifying fuels from nonconventional sources are eligible for a tax credit ("the section 29 credit") equal to $3 per barrel or barrel-of-oil equivalent.[14] Fuels qualifying for the credit must be produced domestically from a well drilled, or a facility treated as placed in service before January 1, 1993.[15] The section 29 credit generally is available for qualified fuels sold to unrelated persons before January 1, 2003.[16]

For purposes of the credit, qualified fuels include: (1) oil produced from shale and tar sands; (2) gas produced from geopressured brine, Devonian shale, coal seams, a tight formation, or biomass (i.e., any organic material other than oil, natural gas, or coal (or any product thereof); and (3) liquid, gaseous, or solid synthetic fuels produced from coal (including lignite), including such fuels when used as feedstocks. The amount of the credit is determined without regard to any production attributable to a property from which gas from Devonian shale, coal seams, geopressured brine, or a tight formation was produced in marketable quantities before 1980.

The amount of the section 29 credit generally is adjusted by an inflation adjustment factor for the calendar year in which the sale occurs.[17] There is no adjustment for inflation in the case of the credit for sales of natural gas produced from a tight formation. The credit begins to phase out if the annual average unregulated wellhead price per barrel of domestic crude oil exceeds $23.50 multiplied by the inflation adjustment factor.[18]

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[14] A barrel-of-oil equivalent generally means that amount of the qualifying fuel which has a Btu (British thermal unit) content of 5.8 million.

[15] A facility that produces gas from biomass or produces liquid, gaseous, or solid synthetic fuels from coal (including lignite) generally will be treated as being placed in service before January 1, 1993, if it is placed in service by the taxpayer before July 1, 1998, pursuant to a written binding contract in effect before January 1, 1997. In the case of a facility that produces coke or coke gas, however, this provision applies only if the original use of the facility commences with the taxpayer. Also, the IRS has ruled that production from certain post-1992 "recompletions" of wells that were originally drilled prior to the expiration date of the credit would qualify for the section 29 credit.

[16] If a facility that qualifies for the binding contract rule is originally placed in service after December 31, 1992, production from the facility may qualify for the credit if sold to an unrelated person before January 1, 2008.

[17] The inflation adjustment factor for the 2000 taxable year was 2.0454. Therefore, the inflation-adjusted amount of the credit for that year was $6.14 per barrel or barrel equivalent.

[18] For 2000, the inflation adjusted threshold for onset of the phaseout was $48.07 ($23.50 x 2.0454) and the average wellhead price for that year was $26.73.

The amount of the section 29 credit allowable with respect to a project is reduced by any unrecaptured business energy tax credit or enhanced oil recovery credit claimed with respect to such project.

As with most other credits, the section 29 credit may not be used to offset alternative minimum tax liability. Any unused section 29 credit generally may not be carried back or forward to another taxable year; however, a taxpayer receives a credit for prior year minimum tax liability to the extent that a section 29 credit is disallowed as a result of the operation of the alternative minimum tax. The credit is limited to what would have been the regular tax liability but for the alternative minimum tax.

The provision provides a significant tax incentive (currently about $6 per barrel of oil equivalent or $1 per thousand cubic feet of natural gas). Coalbed methane and gas from tight formations currently account for most of the credit.

Enhanced oil recovery credit

Taxpayers are permitted to claim a general business credit, which consists of several different components. One component of the general business credit is the enhanced oil recovery credit. The general business credit for a taxable year may not exceed the excess (if any) of the taxpayer's net income tax over the greater of (1) the tentative minimum tax, or (2) 25 percent of so much of the taxpayer's net regular tax liability as exceeds $25,000. Any unused general business credit generally may be carried back one taxable year and carried forward 20 taxable years.

The enhanced oil recovery credit for a taxable year is equal to 15 percent of certain costs attributable to qualified enhanced oil recovery ("EOR") projects undertaken by the taxpayer in the United States during the taxable year. To the extent that a credit is allowed for such costs, the taxpayer must reduce the amount otherwise deductible or required to be capitalized and recovered through depreciation, depletion, or amortization, as appropriate, with respect to the costs. A taxpayer may elect not to have the enhanced oil recovery credit apply for a taxable year.

The amount of the enhanced oil recovery credit is reduced in a taxable year following a calendar year during which the annual average unregulated wellhead price per barrel of domestic crude oil exceeds $28 (adjusted for inflation since 1990).[19] In such a case, the credit would be reduced ratably over a $6 phaseout range.

For purposes of the credit, qualified enhanced oil recovery costs include the following costs which are paid or incurred with respect to a qualified EOR project: (1) the cost of tangible property which is an integral part of the project and with respect to which depreciation or

[19] The average per-barrel price of crude oil for this purpose is determined in the same manner as for purposes of the section 29 credit.

amortization is allowable; (2) IDCs that the taxpayer may elect to deduct;[20] and (3) the cost of tertiary injectants with respect to which a deduction is allowable, whether or not chargeable to capital account.

A qualified EOR project means any project that is located within the United States and involves the application (in accordance with sound engineering principles) of one or more qualifying tertiary recovery methods which can reasonably be expected to result in more than an insignificant increase in the amount of crude oil which ultimately will be recovered. The qualifying tertiary recovery methods generally include the following nine methods: miscible fluid displacement, steam-drive injection, microemulsion flooding, in situ combustion, polymer-augmented water flooding, cyclic-steam injection, alkaline flooding, carbonated water flooding, and immiscible non-hydrocarbon gas displacement, or any other method approved by the IRS. In addition, for purposes of the enhanced oil recovery credit, immiscible non-hydrocarbon gas displacement generally is considered a qualifying tertiary recovery method, even if the gas injected is not carbon dioxide.

A project is not considered a qualified EOR project unless the project's operator submits to the IRS a certification from a petroleum engineer that the project meets the requirements set forth in the preceding paragraph.

The enhanced oil recovery credit is effective for taxable years beginning after December 31, 1990, with respect to costs paid or incurred in EOR projects begun or significantly expanded after that date.

Conventional oil recovery methods do not recover all of a well's oil. Some of the remaining oil can be extracted by unconventional methods, but these methods are generally more costly. At current world oil prices, a large part of the remaining oil in place is uneconomic to recover by unconventional methods. In this environment, the EOR credit can increase recoverable reserves. Although recovering oil using EOR methods is more expensive than recovering it using conventional methods, it may be less expensive than producing oil from new reservoirs. Although the credit could phase out at higher oil prices, it is fully effective at present world oil prices.

<u>Alternative minimum tax</u>

A taxpayer is subject to an alternative minimum tax ("AMT") to the extent that its tentative minimum tax exceeds its regular income tax liability. A corporate taxpayer's tentative minimum tax generally equals 20 percent of its alternative minimum taxable income in excess of an exemption amount. (The marginal AMT rate for a noncorporate taxpayer is 26 or 28 percent, depending on the amount of its alternative minimum taxable income above an exemption amount.)

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[20] In the case of an integrated oil company, the credit base includes those IDCs which the taxpayer is required to capitalize.

Alternative minimum taxable income ("AMTI") is the taxpayer's taxable income increased by certain tax preferences and adjusted by determining the tax treatment of certain items in a manner which negates the deferral of income resulting from the regular tax treatment of those items.

As a general rule, percentage depletion deductions claimed in excess of the basis of the depletable property constitute an item of tax preference in determining the AMT. In addition, the AMTI of a corporation is increased by an amount equal to 75 percent of the amount by which adjusted current earnings ("ACE") of the corporation exceed AMTI (as determined before this adjustment). In general, ACE means AMTI with additional adjustments that generally follow the rules presently applicable to corporations in computing their earnings and profits. As a general rule a corporation must use the cost depletion method in computing its ACE adjustment. Thus, the difference between a corporation's percentage depletion deduction (if any) claimed for regular tax purposes and its allowable deduction determined under the cost depletion method is factored into its overall ACE adjustment.

Excess percentage depletion deductions related to crude oil and natural gas production are not items of tax preference for AMT purposes. In addition, corporations that are independent oil and gas producers and royalty owners may determine depletion deductions using the percentage depletion method in computing their ACE adjustments.

The difference between the amount of a taxpayer's IDC deductions and the amount which would have been currently deductible had IDC's been capitalized and recovered over a 10-year period may constitute an item of tax preference for the AMT to the extent that this amount exceeds 65 percent of the taxpayer's net income from oil and gas properties for the taxable year (the "excess IDC preference"). In addition, for purposes of computing a corporation's ACE adjustment to the AMT, IDCs are capitalized and amortized over the 60-month period beginning with the month in which they are paid or incurred. The preference does not apply if the taxpayer elects to capitalize and amortize IDCs over a 60-month period for regular tax purposes.

IDC's related to oil and gas wells are generally not taken into account in computing the excess IDC preference of taxpayers that are not integrated oil companies. This treatment does not apply, however, to the extent it would reduce the amount of the taxpayer's AMTI by more than 40 percent of the amount that the taxpayer's AMTI would have been if those IDCs had been taken into account.

In addition, for corporations other than integrated oil companies, there is no ACE adjustment for IDCs with respect to oil and gas wells. That is, such a taxpayer is permitted to use its regular tax method of writing off those IDCs for purposes of computing its adjusted current earnings.

Absent these rules, the incentive effect of the special provisions for oil and gas would be reduced for firms subject to the AMT. These rules, however, effectively eliminate AMT concerns for independent producers.

Passive activity loss and credit rules

A taxpayer's deductions from passive trade or business activities, to the extent they exceed income from all such passive activities of the taxpayer (exclusive of portfolio income), generally may not be deducted against other income.[21] Thus, for example, an individual taxpayer may not deduct losses from a passive activity against income from wages. Losses suspended under this "passive activity loss" limitation are carried forward and treated as deductions from passive activities in the following year, and thus may offset any income from passive activities generated in that later year. Losses from a passive activity may be deducted in full when the taxpayer disposes of its entire interest in that activity to an unrelated party in a transaction in which all realized gain or loss is recognized.

An activity generally is treated as passive if the taxpayer does not materially participate in it. A taxpayer is treated as materially participating in an activity only if the taxpayer is involved in the operations of the activity on a basis which is regular, continuous, and substantial.

A working interest in an oil or gas property generally is not treated as a passive activity, whether or not the taxpayer materially participates in the activities related to that property. This exception from the passive activity rules does not apply if the taxpayer holds the working interest through an entity which limits the liability of the taxpayer with respect to the interest. In addition, if a taxpayer has any loss for any taxable year from a working interest in an oil or gas property which is treated pursuant to this working interest exception as a loss which is not from a passive activity, then any net income from such property (or any property the basis of which is determined in whole or in part by reference to the basis of such property) for any succeeding taxable year is treated as income of the taxpayer which is not from a passive activity.

Similar limitations apply to the utilization of tax credits attributable to passive activities. Thus, for example, the passive activity rules (and, consequently, the oil and gas working interest exception to those rules) apply to the nonconventional fuels production credit and the enhanced oil recovery credit. However, if a taxpayer has net income from a working interest in an oil and gas property which is treated as not arising from a passive activity, then any tax credits attributable to the interest in that property would be treated as credits not from a passive activity (and, thus, not subject to the passive activity credit limitation) to the extent that the amount of the credits does not exceed the regular tax liability which is allocable to such net income.

As a result of this exception from the passive loss limitations, owners of working interests in oil and gas properties may use losses from such interests to offset income from other sources.

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[21] This provision applies to individuals, estates, trusts, personal service corporations, and closely held C corporations.

Tertiary injectants

Taxpayers are allowed to deduct the cost of qualified tertiary injectant expenses for the taxable year. Qualified tertiary injectant expenses are amounts paid or incurred for any tertiary injectant (other than recoverable hydrocarbon injectants) which is used as a part of a tertiary recovery method.

The provision allowing the deduction for qualified tertiary injectant expenses resolves a disagreement between taxpayers (who considered such costs to be IDCs or operating expenses) and the IRS (which considered such costs to be subject to capitalization).

This concludes our testimony. We would be pleased to answer any questions the Subcommittee may have.

ATTACHMENTS: NEPD GROUP PROPOSALS

Extend and Modify Credit for Fuel Produced from Landfill Methane

Current Law

Taxpayers that produce gas from biomass (including landfill methane) are eligible for a tax credit ("the section 29 credit") equal to $3 per barrel-of-oil equivalent. For this purpose, a barrel-of-oil equivalent is the amount of gas that has a Btu (British thermal unit) content of 5.8 million. To qualify for the credit, the gas must be produced domestically from a facility placed in service by the taxpayer before July 1, 1998, pursuant to a written binding contract in effect before January 1, 1997. In addition, the gas must be sold to an unrelated person before January 1, 2008.

The amount of the section 29 credit generally is adjusted by an inflation adjustment factor for the calendar year in which the sale occurs. The inflation adjustment factor for the 2000 taxable year was 2.0454, and the inflation-adjusted amount of the credit for that year was $6.14 per barrel or barrel equivalent. The credit begins to phase out if the annual average unregulated wellhead price per barrel of domestic crude oil exceeds $23.50 multiplied by the inflation adjustment factor. For 2000, the inflation adjusted threshold for onset of the phaseout was $48.07 ($23.50 x 2.0454) and the average wellhead price for that year was $26.73.

The amount of the section 29 credit allowable with respect to a project is reduced by any unrecaptured business energy tax credit or enhanced oil recovery credit claimed with respect to such project.

The section 29 credit may not be used to offset alternative minimum tax liability. Any unused section 29 credit generally may not be carried back or forward to another taxable year; however, a taxpayer receives a credit for prior year minimum tax liability to the extent that a section 29 credit is disallowed as a result of the operation of the alternative minimum tax. The credit is limited to what would have been the regular tax liability but for the alternative minimum tax.

Reasons for Change

The tax credit helps make fuel produced from landfill methane competitive with other fuels. Extending the credit would continue the important contribution of this renewable energy source to the Nation's long-term energy supply.

Proposal

The credit would be allowed for fuel produced from landfill methane if the fuel is produced from a facility (or portion of a facility) placed in service after December 31, 2001, and before January 1, 2011, and is sold (or used to produce electricity that is sold) before January 1, 2011. The credit for fuel produced at landfills subject to EPA's 1996 New Source Performance Standards/Emissions Guidelines would be limited to two-thirds of the otherwise applicable amount beginning on January 1, 2008, if any portion of the facility for producing fuel at the landfill was placed in service before July 1, 1998, and beginning on January 1, 2002, in all other cases. The proposal would clarify, for purposes of determining the extent to which a facility is placed in service after December 31, 2001, that the facility includes the wells, pipes, and related components used to collect landfill methane and that only production attributable to wells, pipes, and related components placed in service after December 31, 2001, is treated as produced from the portion of the facility placed in service after that date.

Extension of Tax Incentives for Ethanol

Current Law

Current law provides an income tax credit and an excise tax exemption for ethanol and renewable source methanol used as a fuel. In general, the income tax credit for ethanol is 53 cents per gallon, but small ethanol producers (i.e., those producing less than 30 million gallons of ethanol per year) qualify for a credit of 63 cents per gallon on the first 15 million gallons of ethanol produced in a year. A credit of 60 cents per gallon is allowed for renewable source methanol.

As an alternative to the income tax credit, gasohol blenders may claim a gasoline tax exemption of 53 cents for each gallon of ethanol and 60 cents for each gallon of renewable source methanol that is blended into qualifying gasohol.

The income tax credit expires on December 31, 2007, and the excise tax exemption expires on September 30, 2007. In addition, the ethanol credit and exemption are each reduced by 1 cent per gallon in 2003 and by an additional 1 cent per gallon in 2005. Neither the credit nor the exemption applies during any period in which motor fuel taxes dedicated to the Highway Trust Fund are limited to 4.3 cents per gallon. Under current law, the motor fuel tax dedicated to the Highway Trust Fund will be limited to 4.3 cents per gallon beginning on October 1, 2005.

Reasons for Change

The tax credit and excise tax exemption help make ethanol and renewable source methanol competitive with other fuels. Extending the credit and exemption would continue the important contribution of these renewable energy sources to the Nation's long-term energy supply.

Proposal

The income tax credit and the excise tax exemption would be extended through December 31, 2010. The current law rule providing that neither the credit nor the exemption applies during any period in which motor fuel taxes dedicated to the Highway Trust Fund are limited to 4.3 cents per gallon would be retained. As under current law, the credit and the exemption would each be reduced by 1 cent per gallon in 2003 and by an additional 1 cent per gallon in 2005.

Provide Tax Credit for Certain Hybrid and Fuel Cell Vehicles

Current Law

No generally available income tax credit for purchases of hybrid vehicles is available currently. A 10-percent tax credit is provided for the cost of a qualified electric vehicle, up to a maximum credit of $4,000. A qualified electric vehicle is a motor vehicle that is powered primarily by an electric motor drawing current from rechargeable batteries, fuel cells, or other portable sources of electric current, the original use of which commences with the taxpayer, and that is acquired for use by the taxpayer and not for resale. The full amount of the credit is available for purchases prior to 2002. The credit begins to phase down in 2002 and does not apply to vehicles placed in service after 2004.

Certain costs of qualified clean-fuel property, including clean-fuel vehicles, may be deducted when such property is placed in service. Qualified electric vehicles do not qualify for the clean-fuel vehicle deduction. The deduction begins to phase down in 2002 and does not apply to property placed in service after 2004.

Reasons for Change

The transportation sector now accounts for 67 percent of U.S. oil consumption. Cars, sport utility vehicles, light trucks, and minivans alone account for 40 percent of U.S. oil consumption, about 20 to 40 percent of all urban smog-forming emissions and 20 percent of greenhouse gas emissions. Almost all of these vehicles use a single gasoline-fueled engine.

Hybrid vehicles, which have more than one source of power on board the vehicle, and electric vehicles have the potential to reduce petroleum consumption, air pollution, and greenhouse gas emissions. The proposed credits will encourage the purchase of highly fuel efficient vehicles that incorporate advanced automotive technologies and will help to move hybrid and fuel cell vehicles from the laboratory to the highway. These vehicles can significantly reduce oil consumption, emissions of air pollutants, and emissions of carbon dioxide, the most prevalent greenhouse gas.

Proposal

The proposal would provide temporary tax credits for certain hybrid and fuel cell vehicles:

(1) Credit for qualified hybrid vehicles. A credit, of up to $4,000, would be available for purchases of qualified hybrid vehicles after December 31, 2001, and before January 1, 2008. The credit would be:

(a) $250 if the rechargeable energy storage system provides at least 5 percent but less than 10 percent of the maximum available power;
(b) $500 if the rechargeable energy storage system provides at least 10 percent and less than 20 percent of the maximum available power;

(c) $750 if the rechargeable energy storage system provides at least 20 percent and less than 30 percent of the maximum available power; and

(d) $1,000 if the rechargeable energy storage system provides 30 percent or more of the maximum available power.

If the vehicle's fuel economy exceeds the 2000 model year city fuel economy, the amount of credit shown in (a) through (d) above would be increased by the following amounts:

(i) $500 if the vehicle achieves at least 125 percent but less than 150 percent of the 2000 model year city fuel economy;

(ii) $1,000 if the vehicle achieves at least 150 percent but less than 175 percent of the 2000 model year city fuel economy;

(iii) $1,500 if the vehicle achieves at least 175 percent but less than 200 percent of the 2000 model year city fuel economy;

(iv) $2,000 if the vehicle achieves at least 200 percent but less than 225 percent of the 2000 model year city fuel economy;

(v) $2,500 if the vehicle achieves at least 225 percent but less than 250 percent of the 2000 model year city fuel economy; and

(vi) $3,000 if the vehicle achieves at least 250 percent of the 2000 model year city fuel economy.

(2) Credit for qualified fuel cell vehicles. A credit of up to $8,000 would be available for the purchase of new qualified fuel cell vehicles after December 31, 2001, and before January 1, 2008. The credit would be $4,000, but, if the vehicle's fuel economy exceeds the 2000 model year city fuel economy, the credit would increase by the following amounts:

(i) $1,000 if the vehicle achieves at least 150 percent but less than 175 percent of the 2000 model year city fuel economy;

(ii) $1,500 if the vehicle achieves at least 175 percent but less than 200 percent of the 2000 model year city fuel economy;

(iii) $2,000 if the vehicle achieves at least 200 percent but less than 225 percent of the 2000 model year city fuel economy;

(iv) $2,500 if the vehicle achieves at least 225 percent but less than 250 percent of the 2000 model year city fuel economy;

(v) $3,000 if the vehicle achieves at least 250 percent but less than 275 percent of the 2000 model year city fuel economy;

(vi) $3,500 if the vehicle achieves at least 275 percent but less than 300 percent of the 2000 model year city fuel economy; and

(vii) $4,000 if the vehicle achieves at least 300 percent of the 2000 model year city fuel economy.

The 2000 model year city fuel economy would be the following:

If the vehicle inertia weight class is:	The 2000 model year city fuel economy is: For a passenger automobile:	For a light truck:
1,500 or 1,750 lbs	43.7 mpg	37.6 mpg
2,000 lbs	38.3 mpg	33.7 mpg
2,250 lbs	34.1 mpg	30.6 mpg
2,500 lbs	30.7 mpg	28.0 mpg
2,750 lbs	27.9 mpg	25.9 mpg
3,000 lbs	25.6 mpg	24.1 mpg
3,500 lbs	22.0 mpg	21.3 mpg
4,000 lbs	19.3 mpg	19.0 mpg
4,500 lbs	17.2 mpg	17.3 mpg
5,000 lbs	15.5 mpg	15.8 mpg
5,500 lbs	14.1 mpg	14.6 mpg
6,000 lbs	12.9 mpg	13.6 mpg
6,500 lbs	11.9 mpg	12.8 mpg
7,000 or 8,500 lbs	11.1 mpg	12.0 mpg

The "vehicle inertia weight class" is defined in regulations prescribed by the Environmental Protection Agency for purposes of title II of the Clean Air Act.

A qualifying hybrid vehicle is a motor vehicle that draws propulsion energy from on-board sources of stored energy which are both: (1) an internal combustion engine or heat engine using combustible fuel, and (2) a rechargeable energy storage system. A qualifying fuel cell vehicle is a motor vehicle that is propelled by power derived from one or more cells which convert chemical energy directly into electricity by combining oxygen with hydrogen fuel which is stored on board the vehicle and may or may not require reformation prior to use. A qualifying vehicle must meet all applicable regulatory requirements.

Maximum available power means the maximum value available from the battery or other energy storage device, during a standard power test, divided by the sum of the battery or other energy storage device and the SAE net power of the heat engine.

These credits would be available for all qualifying light vehicles including cars, minivans, sport utility vehicles, and light trucks. Taxpayers would be able to claim only one of the credits per vehicle and taxpayers who claim either credit would not be able to claim the qualified electric vehicle credit or the deduction for clean-fuel vehicle property for the same vehicle. Business taxpayers claiming either credit would be subject to the limitations on the general business credit and would be required to reduce the basis of the vehicle by the amount of the credit.

Investment Credit for Combined Heat and Power (CHP) Systems

Current law

Combined heat and power (CHP) systems are used to produce electricity (and/or mechanical power) and usable thermal energy from a single primary energy source. Depreciation allowances for CHP property vary by asset use and capacity. Assets employed in the production of electricity used by the taxpayer in an industrial manufacturing process or plant activity (and not ordinarily available for sale to others) have a general cost recovery period of 15 years if rated with total capacity in excess of 500 kilowatts. Electricity production assets of lesser-rated capacity generally are classified with other manufacturing assets and have cost recovery periods of five to ten years. Assets used in the production of electricity for sale have either a 15-year or 20-year recovery period. For assets that are structural components of buildings, however, the recovery period is either 39 years (if nonresidential) or 27.5 years (if residential), and the straight-line method for computing depreciation allowances must be used. For assets with recovery periods of 10 years or less, the 200 percent declining balance method may be used to compute depreciation allowances. The 150 percent declining balance method may be used for assets with recovery periods of 15 or 20 years. No income tax credit is provided currently for investment in combined heat and power property.

Reasons for change

Combined heat and power systems utilize thermal energy that is otherwise wasted in producing electricity by more conventional methods. CHP systems achieve a greater level of overall energy efficiency, and thereby lessen the consumption of primary fossil fuels, lower total energy costs, and reduce carbon emissions. An investment tax credit for CHP assets is expected to encourage increased energy efficiency by accelerating planned investments and inducing additional investments in such systems. The increased demand for CHP equipment should, in turn, reduce CHP production costs and spur additional technological innovation in improved CHP systems.

Proposal

The proposal would establish a 10-percent investment credit for qualified CHP systems with an electrical capacity in excess of 50 kilowatts or with a capacity to produce mechanical power in excess of 67 horsepower (or an equivalent combination of electrical and mechanical energy capacities). CHP property would be defined as property comprising a system that uses the same energy source for the simultaneous or sequential generation of (1) electricity or mechanical shaft power (or both) and (2) steam or other forms of useful thermal energy (including heating and cooling applications). A qualified CHP system would be required to produce at least 20 percent of its total useful energy in the form of thermal energy and at least 20 percent of its total useful energy in the form of electrical or mechanical power (or a combination thereof) and would also be required to satisfy an energy-efficiency standard. For CHP systems with an electrical capacity in excess of 50 megawatts (or a mechanical energy capacity in excess of 67,000 horsepower), the total energy efficiency of the system would have to exceed 70 percent. For smaller systems, the total energy efficiency would have to exceed 60 percent. For this purpose, total energy efficiency would be calculated as the sum of the useful electrical, thermal, and mechanical power produced by the system at normal operating rates, measured on a Btu basis, divided by the lower heating value of the primary fuel source for the system supplied. The credit would be allowed with respect to qualified CHP property only if its eligibility is verified under regulations prescribed by the Secretary of the Treasury.

Investments in qualified CHP assets that are otherwise assigned cost recovery periods of less than 15 years would be eligible for the credit, provided that the taxpayer elected to treat such property as having a 22-year class life. Thus, regular tax depreciation allowances would be calculated using a 15-year recovery period and the 150 percent declining balance method.

The credit would be treated as an energy credit under the investment credit component of the section 38 general business credit, and would be subject to the rules and limitations governing that credit. Taxpayers using the credit for CHP equipment would not be entitled to any other tax credit for the same equipment.

The credit would apply to investments in CHP equipment placed in service after December 31, 2001, but before January 1, 2007.

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
June 15, 2001

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) 3-3/8% 10-year notes due January 15, 2007
(2) 3-5/8% 5-year notes due July 15, 2002
(3) 3-5/8% 10-year notes due January 15, 2008
(4) 3-5/8% 30-year bonds due April 15, 2028
(5) 3-7/8% 10-year notes due January 15, 2009
(6) 3-7/8% 30-year bonds due April 15, 2029
(7) 4-1/4% 10-year notes due January 15, 2010
(8) 3-1/2% 10-year notes due January 15, 2011

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 425. 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 18, 2001.

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Attachment

PO-425

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
July 2001

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(s):	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 2001	176.90000	1.11654	1.10456	1.09498	1.09373
July 2 2001	176.92581	1.11671	1.10472	1.09514	1.09389
July 3 2001	176.95161	1.11687	1.10488	1.09530	1.09405
July 4 2001	176.97742	1.11703	1.10504	1.09546	1.09421
July 5 2001	177.00323	1.11719	1.10520	1.09562	1.09437
July 6 2001	177.02903	1.11736	1.10536	1.09578	1.09453
July 7 2001	177.05484	1.11752	1.10552	1.09594	1.09469
July 8 2001	177.08065	1.11768	1.10568	1.09610	1.09485
July 9 2001	177.10645	1.11785	1.10585	1.09626	1.09501
July 10 2001	177.13226	1.11801	1.10601	1.09642	1.09517
July 11 2001	177.15806	1.11817	1.10617	1.09658	1.09533
July 12 2001	177.18387	1.11833	1.10633	1.09674	1.09549
July 13 2001	177.20968	1.11850	1.10649	1.09690	1.09565
July 14 2001	177.23548	1.11866	1.10665	1.09706	1.09580
July 15 2001	177.26129	1.11882	1.10681	1.09722	1.09596
July 16 2001	177.28710	1.11899	1.10697	1.09738	1.09612
July 17 2001	177.31290	1.11915	1.10713	1.09754	1.09628
July 18 2001	177.33871	1.11931	1.10730	1.09770	1.09644
July 19 2001	177.36452	1.11947	1.10746	1.09786	1.09660
July 20 2001	177.39032	1.11964	1.10762	1.09802	1.09676
July 21 2001	177.41613	1.11980	1.10778	1.09818	1.09692
July 22 2001	177.44194	1.11996	1.10794	1.09834	1.09708
July 23 2001	177.46774	1.12013	1.10810	1.09850	1.09724
July 24 2001	177.49355	1.12029	1.10826	1.09866	1.09740
July 25 2001	177.51935	1.12045	1.10842	1.09882	1.09756
July 26 2001	177.54516	1.12061	1.10858	1.09898	1.09772
July 27 2001	177.57097	1.12078	1.10875	1.09914	1.09788
July 28 2001	177.59677	1.12094	1.10891	1.09930	1.09804
July 29 2001	177.62258	1.12110	1.10907	1.09946	1.09820
July 30 2001	177.64839	1.12127	1.10923	1.09962	1.09836
July 31 2001	177.67419	1.12143	1.10939	1.09978	1.09852

CPI-U (NSA) for : March 2001 176.2 April 2001 176.9 May 2001 177.7

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for July 2001

Security:	3-7/8% 10-Year Notes	3-7/8% 30-Year Bonds	4-1/4% 10-Year Notes	3-1/2% 10-Year Notes
Description:	Series A-2009	Bonds of April 2029	Series A-2010	Series A-2011
CUSIP Number:	9128274Y5	912810FH6	9128275W8	9128276R8
Dated Date:	January 15, 1999	April 15, 1999	January 15, 2000	January 15, 2001
Original Issue Date:	January 15, 1999	April 15, 1999	January 18, 2000	January 16, 2001
Additional Issue Date(s):	July 15, 1999	October 15, 1999 October 15, 2000	July 15, 2000	
Maturity Date:	January 15, 2009	April 15, 2029	January 15, 2010	January 15, 2011
Ref CPI on Dated Date:	164.00000	164.39333	168.24516	174.04516

Date	Ref CPI	Index Ratio	Index Ratio	Index Ratio	Index Ratio
July 1 2001	176.90000	1.07866	1.07608	1.05144	1.01640
July 2 2001	176.92581	1.07882	1.07623	1.05160	1.01655
July 3 2001	176.95161	1.07897	1.07639	1.05175	1.01670
July 4 2001	176.97742	1.07913	1.07655	1.05190	1.01685
July 5 2001	177.00323	1.07929	1.07671	1.05206	1.01700
July 6 2001	177.02903	1.07945	1.07686	1.05221	1.01714
July 7 2001	177.05484	1.07960	1.07702	1.05236	1.01729
July 8 2001	177.08065	1.07976	1.07718	1.05252	1.01744
July 9 2001	177.10645	1.07992	1.07733	1.05267	1.01759
July 10 2001	177.13226	1.08007	1.07749	1.05282	1.01774
July 11 2001	177.15806	1.08023	1.07765	1.05298	1.01789
July 12 2001	177.18387	1.08039	1.07780	1.05313	1.01803
July 13 2001	177.20968	1.08055	1.07796	1.05328	1.01818
July 14 2001	177.23548	1.08070	1.07812	1.05344	1.01833
July 15 2001	177.26129	1.08086	1.07828	1.05359	1.01848
July 16 2001	177.28710	1.08102	1.07843	1.05374	1.01863
July 17 2001	177.31290	1.08118	1.07859	1.05390	1.01878
July 18 2001	177.33871	1.08133	1.07875	1.05405	1.01892
July 19 2001	177.36452	1.08149	1.07890	1.05420	1.01907
July 20 2001	177.39032	1.08165	1.07906	1.05436	1.01922
July 21 2001	177.41613	1.08181	1.07922	1.05451	1.01937
July 22 2001	177.44194	1.08196	1.07937	1.05466	1.01952
July 23 2001	177.46774	1.08212	1.07953	1.05482	1.01966
July 24 2001	177.49355	1.08228	1.07969	1.05497	1.01981
July 25 2001	177.51935	1.08244	1.07985	1.05512	1.01996
July 26 2001	177.54516	1.08259	1.08000	1.05528	1.02011
July 27 2001	177.57097	1.08275	1.08016	1.05543	1.02026
July 28 2001	177.59677	1.08291	1.08032	1.05558	1.02041
July 29 2001	177.62258	1.08306	1.08047	1.05574	1.02055
July 30 2001	177.64839	1.08322	1.08063	1.05589	1.02070
July 31 2001	177.67419	1.08338	1.08079	1.05604	1.02085

CPI-U (NSA) for: March 2001 176.2 April 2001 176.9 May 2001 177.7

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 14, 2001

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 $26,000 million to refund $19,789 million of publicly held bills maturing June 21, 2001, and to raise about $6,211 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $9,667 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of each auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers have requested that we reinvest their maturing holdings of approximately $1,033 million into the 13-week bill and $1,033 million into the 26-week bill.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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

PO-426

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED JUNE 21, 2001

June 14, 2001

Offering Amount	$14,000 million	$12,000 million
Public Offering	Offering amount less the amount awarded for FIMA accounts	
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 HP 9	912795 HY 0
Auction date	June 18, 2001	June 18, 2001
Issue date	June 21, 2001	June 21, 2001
Maturity date	September 20, 2001	December 20, 2001
Original issue date	March 22, 2001	June 21, 2001
Currently outstanding	$11,861 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 million at the highest discount rate of accepted competitive bids.

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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 Rate ....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 IMMEDIATE RELEASE
June 13, 2001

Contact: Peter Hollenbach
(202) 691-3502

BUREAU OF THE PUBLIC DEBT AIDS SAVINGS BOND OWNERS AFFECTED BY TROPICAL STORMS IN TEXAS

The Bureau of Public Debt took action to assist victims of severe weather in Texas 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 Texas affected by the storms. These procedures will remain in effect through the end of July 2001.

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.

Texas counties involved are Anderson, Angelina, Brazoria, Cherokee, Chambers, Fort Bend, Galveston, Hardin, Harris, Houston, Jasper, Jefferson, Leon, Liberty, Madison, Montgomery, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Shelby, Smith, Trinity, Tyler and Walker. 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 "DISASTER" on the front of their envelopes, to help expedite the processing of claims.

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PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
June 13, 2001

Contact: Peter Hollenbach
(202) 691-3502

BUREAU OF THE PUBLIC DEBT AIDS SAVINGS BOND OWNERS AFFECTED BY TROPICAL STORMS IN LOUISIANA

The Bureau of Public Debt took action to assist victims of severe weather in Louisiana 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 Louisiana affected by the storms. These procedures will remain in effect through the end of July 2001.

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.

Louisiana parishes' involved are Ascension, Assumption, East Baton Rouge, Iberville, Lafayette, Lafourche, Livingston, St. Martin, Terrebonne, and Vermillion. Should additional parishes 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 "DISASTER" on the front of their envelopes, to help expedite the processing of claims.

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PO-428

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 18, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	June 21, 2001
Maturity Date:	September 20, 2001
CUSIP Number:	912795HP9

High Rate: 3.435% Investment Rate 1/: 3.512% Price: 99.132

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 5.85%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 28,147,856	$ 12,499,406
Noncompetitive	1,331,014	1,331,014
FIMA (noncompetitive)	170,000	170,000
SUBTOTAL	29,648,870	14,000,420 2/
Federal Reserve	4,758,920	4,758,920
TOTAL	$ 34,407,790	$ 18,759,340

Median rate 3.410%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.350%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 29,648,870 / 14,000,420 = 2.12

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,117,487,000

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 18, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	June 21, 2001
Maturity Date:	December 20, 2001
CUSIP Number:	912795HY0

High Rate: 3.380% Investment Rate 1/: 3.487% Price: 98.291

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 70.06%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 24,614,193	$ 10,675,393
Noncompetitive	1,324,628	1,324,628
SUBTOTAL	25,938,821	12,000,021 2/
Federal Reserve	4,908,563	4,908,563
TOTAL	$ 30,847,384	$ 16,908,584

Median rate 3.360%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.330%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

BID-TO-COVER RATIO = 25,938,821 / 12,000,021 = 2.16
NO FIMA NONCOMPETITVE BIDS WERE TENDERED IN TODAY'S AUCTION.

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,086,852,000

http://www.publicdebt.treas.gov

PO-430

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. EDT
June 19, 2001

Contact: Tony Fratto
(202) 622-2960

STATEMENT OF JOHN B. TAYLOR UNDER SECRETARY, INTERNATIONAL AFFAIRS DEPARTMENT OF THE TREASURY BEFORE THE SUBCOMMITTEE ON INTERNATIONAL TRADE AND FINANCE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to discuss the reauthorization of the Export-Import Bank (ExIm) of the United States. Treasury has an important role in the formulation and implementation of policy related to ExIm and I look forward to working with ExIm's new chairman, John Robson, in this regard. Treasury works closely with ExIm to ensure that international financing rules are developed to limit the scope for foreign export financing subsidies. Treasury also works with ExIm to ensure that its programs and policies are consistent with the United States government's broader international economic and financial policies. Treasury chairs the interagency National Advisory Council (NAC) that reviews U.S. international economic policies and also individual ExIm transactions.

The Administration supports a clean reauthorization bill without amendment. It is important for the Administration to have time to assess the institution and draw its own conclusions about how well ExIm works in supporting U.S. exports, and what, if any, adjustments to its charter may be necessary. The request is for a four-year reauthorization; if, in the course of our analysis, we conclude that changes in its charter are necessary, we are prepared to seek additional legislation at that time.

The purpose of ExIm is to aid in the financing and promotion of U.S. exports, which are a vital component of the U.S. economy. ExIm accomplishes this objective in several ways: it assumes commercial and political risks that exporters or private institutions are unwilling to take; it assists U.S. exporters to compete on a level playing field when faced with government-subsidized foreign export credit competition; and it provides leadership and guidance in export financing, especially for small and medium-sized U.S. exporters.

PO-431

The 2002 budget proposes a 25 percent decrease in program budget resources, in part to reflect lower estimates of international lending risk. This means that ExIm will be able to support more exports per budget dollar than in the past. The administration believes that ExIm can continue to support exporters facing subsidized competition through policy changes that further target assistance on exporters who cannot obtain private sector financing when competing with foreign subsidies. It is important that ExIm's programs foster greater levels of un-subsidized competition in the international market for exported goods, where U.S. companies will be able to compete freely and most successfully.

Exports have been one of the key engines of economic growth in the United States over the last two decades as globalization has accelerated. Our export growth in recent years has outstripped domestic growth, and exports have risen as a share of GDP. The U.S. jobs that exports generate are, on average, higher skill and higher wage jobs than in the economy at large. These trends will continue in the future so exports and ExIm will remain a high priority for the Administration.

ExIm advances the Administration's pro-export agenda in two very specific ways. First, it ensures that the official export credit agencies (ECAs) that other governments have in place do not provide foreign exporters a competitive advantage in international export competitions Second, because ExIm exists, the United States has a seat at the international table that sets rules for how official export financing operates. These rules are made in the OECD by the countries that are the Participants to the Arrangement on Guidelines for Officially Supported Export Credits (Arrangement). This is an arrangement among nations that provide the vast bulk of official export financing for capital goods to developing countries. These rules, which are embodied in the OECD Arrangement, are critical to ensuring that the export financing provided by governments promotes market principles and fair competition.

<u>U.S. Export Financing Philosophy and the Role of the OECD Arrangement</u>

Reducing export financing subsidies is critically important from an international policy perspective because they distort trade in favor of firms in those countries offering subsidies. By distorting trade flows, they also distort the global allocation of resources and reduce international economic efficiency. Moreover, subsidized exports disadvantage U.S. exporters because other governments budget proportionately more resources for export subsidies than does the United States.

Limiting these subsidies is also extremely important from a budget point of view. Simply put, these subsidies drain the budget.

The OECD Arrangement embodies agreed rules that provide international financing disciplines. The Arrangement plays an important role in the overall U.S. strategy to promote free trade by reducing export subsidies in the international arena. It complements the WTO anti-subsidy rules – specifically, by reducing export-financing subsidies. The United States has used the Arrangement to build an international rule-based system of limits on export subsidies.

The WTO does not restrict the use of aid-financed subsidies because resource transfers to LDCs are important for their development. The United States uses the OECD Arrangement to ensure aid-financed subsidies are really development aid and not export promotion in disguise.

Treasury leads the U.S. delegation to negotiations of the OECD Arrangement. Finance Ministries normally lead this OECD policy-making body. ExIm's representative sits next to Treasury in virtually all OECD negotiations.

Let me provide two examples of how the OECD Arrangement limits subsidies:

<u>Limits on Interest Rate Subsidies</u>

Under an agreement negotiated in the 1980s, the Arrangement ensures that interest rates offered by ECAs are full 100 basis points above the cost of funds to governments. This means that exporters compete on the basis of the quality and pricing of their goods and services, and not on the basis of the most favorable officially supported financing terms. It also reduces the likelihood that commercial banks are systematically undercut by subsidized financing. Annual appropriations that ExIm now requires for any given level of exports are hundreds of millions of dollars lower than they would be without these disciplines on interest rate subsidies.

<u>Reductions in Tied Aid</u>

The OECD Arrangement also limits the use of tied aid. Tied aid is subsidized financing that is offered in the name of economic development but is tied, or linked, to procurement from a firm in the donor country. For instance, tied aid is offered by the Japan Bank for International Cooperation. Tied aid can arbitrarily close markets to efficient exporters, and misallocate global resources.

The benefits of negotiating and enforcing international restrictions on the use of tied aid are clear. In 1991, before the OECD tied aid rules, traditional tied aid donors reported almost $9 billion of tied aid. In 2000, these same donors reported only $1.8 billion of tied aid -- an 80% reduction. (These tied aid figures overstate the actual volume of tied aid flows. These tied aid figures are based on OECD notifications of <u>intended</u> offers of tied aid. A significant number of these credits have been deemed ineligible for tied aid under the OECD Arrangement and abandoned.)

When one adds in the tied aid now offered by Japan, the figure for overall tied aid is approximately $5.5 billion. However, the Japanese component of this figure appears to represent a shift from one type of potentially trade distorting aid – untied aid – to another -- tied aid.

From a policy perspective, this shift in Japanese aid has not increased the overall amount of potential trade distortions but rather shifted it from one official category to another. Therefore, this shift does not offset the large reductions in trade distortions achieved in the programs of the traditional tied aid donors.

Tied aid is now focused on the poorer LDCs, those with per capita incomes below $3,000 annually. Wealthier countries like Mexico, Korea and Malaysia are no longer eligible for tied aid. Tied aid is now virtually non-existent in projects for manufacturing, power (thermal and hydro), oil and gas pipelines, telecommunications, and sophisticated air traffic control equipment. This has opened up these sectors to U.S. exporters to compete for commercial contracts. Treasury has previously estimated that as the result of reducing tied aid trade distortions, U.S. exports are higher by $1 billion a year than they would have been without the Arrangement disciplines.

To better appreciate the impact of this policy success, if the U.S. had been required to compete for these additional exports using tied aid instead of having negotiated OECD restrictions for tied aid, ExIm would have required about $300 million annually in additional appropriations – a cumulative total of $2.4 billion of additional appropriations since 1993, the first full year of implementation of the tied aid rules.

The OECD tied aid rules have been tremendously successful in significantly narrowing the scope for tied aid - thereby reducing trade distortions, leveling the playing field for U.S. exporters, reducing budget pressures, and promoting a much more appropriate use of aid resources.

Treasury continues to work very closely with ExIm on tied aid issues. This work includes negotiating Arrangement agreements, implementing and policing these agreements, and ensuring that tied aid that meets the OECD rules is not being used to undermine the long-term competitiveness of U.S. exporters for commercial sales. In carrying out our tied aid work we also work closely with ExIm in use of the Tied Aid Capital Projects Fund (War Chest).

Future Plans

With tied aid significantly disciplined, Treasury is now focusing on two new forms of trade distortions that arise in export financing: untied aid and market windows.

1) Untied Aid

These distortions can occur even if aid is not legally tied to donor country firms – the case of so -called "untied aid." Currently, untied aid is exempt from the tied aid rules solely because the donor government does not directly tie procurement to its firms. With untied aid, procurement is effectively tied to firms from the donor country in a variety of less direct ways.

The requirement that the aid recipient use the design and engineering work for a project provided by firms in the donor country biases the choice of technologies in favor of donor firms. Similarly, the requirement by the donor that one if its firms run the bidding process, including qualifying bidders, evaluating bids, and awarding bids, can create bias in favor of firms from the donor country. Finally, the aid relationship itself encourages the recipient to reward the donor by selecting its firms in an effort to ensure the continued flow of this aid financing in the future.

Nevertheless, in spite of these biases, untied aid remains free to finance projects that tied aid cannot – including commercially viable projects, and projects in countries with per capita income above $3,000.

There are no OECD rules on what procedures, practices and procurement results constitute untied aid – de facto – for purposes of being exempt from the tied aid disciplines intended to open markets and reduce trade distortions. U.S. exporters are concerned that untied aid programs are not always freely available to finance exports from other countries calling into question whether untied aid should continue to be exempt from Arrangement rules that govern the proper use of aid.

Without Arrangement disciplines, untied aid can be used to circumvent the tied aid rules and distort trade and misallocate global resources. Perhaps more importantly, without disciplines on untied aid, existing tied aid donors could "untie" their aid programs and escape the existing tied aid disciplines. This would put the U.S. back in the situation we faced in the early 1980s when aid was used to systematically distort trade. In fact, there is a strong financial incentive for tied aid donors to "untie" aid because the minimum concessionality – the budget sacrifice -- required for untied aid is approximately half that required for tied aid – about 17% vs. 35% of the credit's value. Therefore, untied aid requires no more budget sacrifice now than tied aid did prior to Reagan-era OECD negotiations that increased these concessionality requirements.

Recognizing the many indirect biases in procurement decisions that can arise with untied aid financing, Treasury formally proposed in the OECD to extend the highly successful tied aid disciplines to <u>un</u>tied aid. This would ensure that tied aid and untied aid are available for the same types of projects in the same countries. Treasury is now working to build support within the OECD for this proposal.

2) <u>Market windows</u>

Market windows are another threat to the longer-term integrity of existing OECD disciplines. Market windows are quasi-official institutions that support national exports. The two largest are KfW of Germany and EDC of Canada. Because Market window institutions purport to operate as private sector actors, there is currently no agreement in the OECD to discipline them or to provide transparency concerning the terms and conditions of this financing. Treasury plans to begin a major push in the OECD on Market window transparency this Fall. We also will work with ExIm and OMB to undertake our own analysis of Market windows. We will then work to design and negotiate appropriate Arrangement disciplines for these institutions.

Conclusion

In summary, in this testimony, I have tried to review the role of Treasury in working through the OECD and with ExIm to reduce the amount of trade distorting subsidies in the world. We at Treasury look forward to working closely with Chairman Robson – a former Deputy Treasury Secretary – to look for and reduce new forms of export financing subsidies and trade distortions.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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U.S. International Reserve Position 6/19/01

The Treasury Department today released U.S. reserve assets data for the week ending June 15, 2001. As indicated in this table, U.S. reserve assets totaled $65,069 million as of June 15, 2001, up from $65,012 million as of June 8, 2001.

(in US millions)

I. Official U.S. Reserve Assets		June 8, 2001			June 15, 2001		
	TOTAL	65,012			65,069		
		Euro	Yen	TOTAL	Euro	Yen	TOTAL
1. Foreign Currency Reserves [1]							
a. Securities		5,090	10,929	16,018	5,171	10,718	15,889
Of which, issuer headquartered in the U.S.				0			0
b. Total deposits with:							
b.i. Other central banks and BIS		8,619	4,731	13,350	8,751	4,640	13,391
b.ii. Banks headquartered in the U.S.				0			0
b.ii. Of which, banks located abroad				0			0
b.iii. Banks headquartered outside the U.S.				0			0
b.iii. Of which, banks located in the U.S.				0			0
2. IMF Reserve Position [2]				14,148			*14,232*
3. Special Drawing Rights (SDRs) [2]				10,450			*10,512*
4. Gold Stock [3]				11,046			11,046
5. Other Reserve Assets				0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for June 8 are final. The entries in the table above for June 15 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2221 per fine troy ounce. Values shown are as of April 30, 2001. The March 31, 2001 value was $11,046 million.

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	June 8, 2001	June 15, 2001
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	June 8, 2001	June 15, 2001
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

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For immediate release --
June 19, 2001

Contact: Rob Nichols
(202) 622-2920

O'Neill Divestiture is Complete

Today Secretary O'Neill's financial advisors completed the sale of all of his shareholdings including his Alcoa stock and options. In accordance with the time span for divestiture that is established by the Office of Government Ethics regulations (within 90 days of the ethics commitment to divest), the Secretary had until June 22, 2001 to complete the divestiture. The Secretary's assets will be invested in diversified investment funds.

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PO-433

DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 9:00 A.M.
June 20, 2001

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Office of Public Affairs
202-622-2960

TREASURY ANNOUNCES DEBT BUYBACK OPERATION

On June 21, 2001, the Treasury will buy back up to $1,750 million par of its outstanding issues that mature between February 2015 and August 2019. Treasury reserves the right to accept less than the announced amount.

This debt buyback (redemption) operation will be conducted by Treasury's Fiscal Agent, the Federal Reserve Bank of New York, using its Open Market operations system. Only institutions that the Federal Reserve Bank of New York has approved to conduct Open Market transactions may submit offers on behalf of themselves and their customers. Offers at the highest accepted price for a particular issue may be accepted on a prorated basis, rounded up to the next $100,000. As a result of this rounding, the Treasury may buy back an amount slightly larger than the one announced above.

This debt buyback operation is governed by the terms and conditions set forth in 31 CFR Part 375 and this announcement.

The debt buyback operation regulations are available on the Bureau of the Public Debt's website at www.publicdebt.treas.gov.

Details about the operation and each of the eligible issues are given in the attached highlights.

oOo

Attachment

PO-434

HIGHLIGHTS OF TREASURY DEBT BUYBACK OPERATION

June 20, 2001

Par amount to be bought back ....Up to $1,750 million
Operation date ....June 21, 2001
Operation close time ....11:00 a.m. eastern daylight saving time
Settlement date ....June 25, 2001
Minimum par offer amount $100,000
Multiples of par $100,000
Format for offers ..... Expressed in terms of price per $100 of par with three decimals. The first two decimals represent fractional 32nds of a dollar. The third decimal represents eighths of a 32nd of a dollar, and must be a 0, 2, 4, or 6.
Delivery instructions ....ABA Number 021001208 FRB NYC/CUST

Treasury issues eligible for debt buyback operation (in millions):

Coupon Rate (%)	Maturity Date	CUSIP Number	Par Amount Outstanding*	Par Amount Privately Held*	Par Amount Held as STRIPS**
11.250	02/15/2015	912810 DP 0	11,326	9,480	4,132
10.625	08/15/2015	912810 DS 4	5,061	3,894	1,602
9.875	11/15/2015	912810 DT 2	5,857	4,850	2,795
9.250	02/15/2016	912810 DV 7	5,887	4,850	551
7.250	05/15/2016	912810 DW 5	18,824	17,724	303
7.500	11/15/2016	912810 DX 3	18,824	17,168	1,460
8.750	05/15/2017	912810 DY 1	16,287	13,532	7,220
8.875	08/15/2017	912810 DZ 8	12,339	10,281	2,742
9.125	05/15/2018	912810 EA 2	7,072	5,833	4,250
9.000	11/15/2018	912810 EB 0	7,614	6,734	3,956
8.875	02/15/2019	912810 EC 8	15,307	12,934	5,880
8.125	08/15/2019	912810 ED 6	19,281	16,741	1,155
		Total	143,679	124,021	36,046

* Par amounts are as of June 19, 2001.
** Par amounts are as of June 18, 2001.

The difference between the par amount outstanding and the par amount privately held is the par amount of those issues held by the Federal Reserve System.

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EMBARGOED UNTIL 3:00 P.M. EDT
June 20, 2001

Contact: Tony Fratto
(202) 622-2960

TESTIMONY OF DONALD V. HAMMOND FISCAL ASSISTANT SECRETARY U.S. DEPARTMENT OF THE TREASURY BEFORE THE HOUSE COMMITTEE ON BANKING AND FINANCIAL SERVICES SUBCOMMITTEE ON GENERAL OVERSIGHT AND INVESTIGATIONS

INTRODUCTION

Chairwoman Kelly and Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss Treasury's efforts to implement the electronic funds transfer (EFT) requirement of the Debt Collection Improvement Act of 1996 (the DCIA). The DCIA requires the Federal government to issue most payments, except tax refunds, via EFT after January 1, 1999 and gives the Secretary of the Treasury the authority to prescribe regulations and to grant waivers from the requirement to receive payments electronically. The DCIA also directs Treasury to ensure that any recipients who are required to receive payment electronically have access to an account at a financial institution at a reasonable cost and with the same consumer protections as other account holders at the same financial institution.

We believe the program thus far has been very successful resulting in approximately eighty percent of all Federal payments currently being made electronically and generating considerable efficiencies for the Federal government, financial institutions and payment recipients. In fact, the reduction in the number of check payments alone since the end of FY'95 has saved the Federal government almost $250 million and will generate recurring savings each year. We expect to expand on these accomplishments by increasing our percentage of electronic

PO-435

We expect to expand on these accomplishments by increasing our percentage of electronic payments in the future.

I commend the Subcommittee for its continued interest in and support of increasing the government's usage of electronic payments in a way that balances the interests of our payment recipients and the cost of government operations. Treasury intends to continue with the implementation of this important initiative in the same manner going forward.

BACKGROUND

Treasury has been making electronic payments since the 1970s when it began an EFT program known as Direct Deposit, an electronic payment method used largely by individuals receiving benefit, salary, and other Federal payments. In the intervening years, EFT payments have expanded to include electronic wire transfers and card and other emerging technology electronic payments. In the fiscal year preceding the DCIA (FY'95), approximately half of all Treasury disbursed Federal payments were made electronically.

In April 1996, the DCIA was enacted into law. Under the DCIA, agencies were required to convert from paper-based payment methods to EFT in two phases in accordance with regulations to be issued by the Treasury. These regulations were issued on July 26, 1996 and September 25, 1998. During the first phase, recipients who became eligible to receive Federal payments on or after July 26, 1996 were required to receive such payments electronically subject to waivers under the Act. The July 26, 1996 interim rule, which was in effect through January 1, 1999, implemented this requirement.

The second phase began on January 2, 1999. Beginning on that date, all Federal payments, except payments under the Internal Revenue Code, are to be made by EFT unless eligible for a regulatory waiver.

We expect to expand on these accomplishments by increasing our percentage of electronic payments in the future.

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The second phase began on January 2, 1999. Beginning on that date, all Federal payments, except payments under the Internal Revenue Code, are to be made by EFT unless eligible for a regulatory waiver.

On September 25, 1998, Treasury published in the Federal Register a final rule [31 CFR Part 208 (EFT rule)] prescribing the implementation of the program effective January 2, 1999. The EFT rule was issued after consideration of testimony received at four (4) public hearings and review of 212 comment letters received from financial institutions, consumer and community based-organizations, Federal payment recipients, and other key stakeholders.

The EFT rule establishes the circumstances under which waivers are available, provides certain requirements for accounts to which Federal payments may be sent electronically, and sets forth the responsibilities of Federal agencies and recipients under the regulation. The rule also provides that any individual who receives a Federal benefit, wage, salary, or retirement payment is eligible to open a low-cost account designed by Treasury, called the Electronic Transfer Account (ETA), at a financial institution that offers such accounts. I will be discussing the ETA in more detail later in my testimony.

In developing the EFT rule, Treasury followed four principles: (1) the interests of recipients should be of paramount importance; (2) Treasury's policies should maximize private sector competition for the business of handling Federal payments in order to promote the greatest possible convenience, flexibility, efficiency, and security; (3) recipients, especially those having special needs, should not be disadvantaged by the transition to EFT; and (4) recipients without accounts at financial institutions should be brought into the mainstream of the financial system to the greatest extent possible.

The EFT rule emphasizes recipient choice through an accommodative waiver policy formulated for the purpose of minimizing hardships to Federal payment recipients. Any individual Federal payment recipient may invoke a hardship waiver and continue receiving a check. Payment recipients assess their own eligibility for a hardship waiver. Moreover, agencies are prohibited from withholding, suspending, or delaying a payment if a recipient does not designate a financial institution into which electronic payment may be sent and does not actively invoke a hardship waiver. Treasury is confident that this balanced approach supports the goals of the program as more and more individuals become familiar with EFT over time.

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Indeed, the widespread use of EFT by Social Security recipients and other Federal benefit recipients indicates broad acceptance of EFT by the public.

EFT99 RESULTS TO DATE

Electronic Funds Transfers (EFT)

Treasury makes approximately 85% of all Federal government payments, with the remaining payments being made primarily by the Department of Defense. As a result of the DCIA and Treasury's and other agencies' education and outreach programs, the government has made tremendous progress in the conversion of check payments to EFT among Treasury and non-Treasury disbursed agencies. In FY 2000, the Federal government issued over one billion payments on behalf of civilian and defense agencies, including benefit, salary and vendor payments as well as tax refunds, grants, loans, and other payments. Seventy-nine percent (79%) of those payments were electronic payments.

Federal payments are being made electronically in remarkable numbers, as evidenced by the following:

X Today, nearly eight out of every ten Social Security (SSA) and Veterans Administration benefit payments, and 98 percent of all Federal salary payments are made electronically.

X Newly eligible SSA beneficiaries are enrolling in EFT at a rate of approximately 85 percent.

X The number of Federal vendor payments made electronically has grown to 82 percent from only 10 percent for FY 1995.

X Half of all Supplemental Security Income payments are currently made electronically compared to 24 percent for FY1995. These payments are issued primarily to a population that has traditionally been unbanked.

X Even the percentage of Federal tax refund payments made electronically, payments not required by the DCIA to be made electronically, have more than tripled since the beginning of the program with 29 percent being made electronically in FY2000, compared to eight percent for FY 1995.

	FY 1995	FY 2001 through April 2001
Treasury Disbursed Payments		
Salary	90%	98%
Benefit Payments	54%	75%
Vendor Payments	10%	59%
Miscellaneous Payments	30%	43%
Total Treasury-Disbursed Payments, Excluding Tax Payments	55%	76%
Tax Payments	8%	29% (FY'00actual)
DOD Disbursed Payments	86%	96%
Total Government-wide Payments	63%	80%

We attribute our success to our public education effort, our efforts to publicize and explain the requirements of the DCIA and Treasury rules to key stakeholders, and our efforts to assist agencies operationally in converting more payments to EFT.

Electronic Transfer Account (ETA)

The most complex and challenging task that has confronted us in increasing the number of EFT payments is how to meet the needs of the millions Federal payment recipients who do not have an account at a financial institution. Despite our waiver policy, in keeping with the DCIA's intent for access to a reasonable cost account, Treasury designed the low cost Electronic Transfer Account, or the ETA. The ETA is being voluntarily offered by federally insured financial institutions that choose to offer the account subject to the specifications prescribed by Treasury.

Treasury is committed to providing opportunities for those individuals without an account at a financial institution, thus allowing them to join the financial services mainstream and receive the benefits of electronic payment. We consider the ETA to be an important potential stepping stone to full service banking relationships while providing a safe, reliable, and low-cost alternative to recipients who receive federal benefits.

We anticipate that we will have a national presence of over 600 ETA providers with more than 16,000 locations by the end of this year. Some of the larger certified ETA provider banks, including Firstar, FleetBoston, Banco Popular, and Fifth Third Bank, have rolled out the ETA in all of their branches. Well Fargo has rolled out the ETA in all branches except those in California. Bank One will complete its roll out by October of this year. Also by October, Bank of America will offer the ETA at all of its 4,400 locations in 21 states and the District of Columbia. Firstar, recently merged with US Bank Corp, anticipates it will begin offering the ETA in its US Bank branches by the end of the year.

As of April 2001, Federal payment recipients have opened 10,913 ETAs. We project that the number of ETAs opened will gradually increase over the next few months with more substantial increases next year for the following reasons:

X As I mentioned a moment ago, several large financial institutions with multiple locations will be coming on board over the next six months, thus increasing coverage across the country and in the ten top check volume states.

X Awareness of the availability and benefits of the ETA will continue to grow among Federal benefit check recipients as a result of the distribution of approximately 10 million ETA check inserts which promote Direct Deposit and the ETA as alternatives to receiving checks. Additional ETA check inserts will be sent to recipients in locations where ETA providers begin offering the ETA.

X SSA sent direct mailings to approximately 1.8 million check recipients in nine states in November 2000 and April 2001. Another 850,000 check recipients in five additional states are scheduled to receive letters in June of this year. These letters promote both Direct Deposit and the ETA as alternatives to receiving checks. For example, the SSA direct mailings to one million recipients in Illinois, Iowa, and Kentucky in November 2000 resulted in about 35,000 new EFT enrollments

It is important to realize that Treasury's major objective is to increase EFT payments and to reduce the number of paper checks issued, and this objective is being achieved. The ETA is a means to achieve this end. Based on anecdotal feedback from some ETA providers, many individuals eligible to open an ETA may be choosing instead to open a traditional account, and this is also a favorable result.

PUBLIC EDUCATION

In FY1997, Treasury began developing a comprehensive public awareness and education campaign to inform Federal payment recipients of their options under the EFT legislation and to promote the safety and reliability of EFT. The components of the campaign included development and distribution of printed materials, an educational video, public service advertising for radio, television, and print media, public relations activities, and a precedent setting grassroots community outreach initiative.

To expand EFT99 public awareness to a grassroots level, Treasury developed a regional network for its public education efforts. Treasury and contractor personnel, as well as five competitively selected community-based organizations, were established on-site in each of five regions of the country to work with local grassroots organizations on how to promote EFT as well as basic financial skills to their constituents. More than 1,400 local organization training sessions and 3,500 consumer sessions have been held throughout the grassroots campaign.

More than 12 million copies of various educational and marketing materials have been distributed throughout the campaign. One product, a financial literacy handbook, was developed in conjunction with the Financial Services Education Coalition that was formed as a result of the EFT99 initiative and distributed to thousands of communities across the nation. Representatives from community-based organizations, financial trade associations, and government agencies jointly developed this basic financial services training kit for local community educators to use at the grassroots level in educating Federal payment recipients on how to use mainstream banking services.

With regard to ETA specific activities, during the past 18 months we have worked to bring together both ETA providers and local community-based organizations to encourage collaborative marketing opportunities for reaching potential ETA customers.

Community outreach enables us to reach more individuals to promote the benefits and availability of the Direct Deposit and the ETA. In addition, Treasury has already mailed approximately 10 million ETA inserts with benefit checks to recipients in 28 states and Puerto Rico during the past 18 months. We anticipate that additional ETA check inserts will be sent to recipients in new states as more ETA provider branch locations begin to offer the ETA.

We also continue to meet regularly with SSA on EFT99 issues and worked with the agency to develop a letter to its benefit check recipients encouraging the use of Direct Deposit for those individuals who have bank accounts and the ETA for those who do not currently have or have been unable to obtain an account. As mentioned previously, more than 1.8 million letters have been sent to nine states, with additional mailings planned for later this year. We are encouraging SSA to continue its direct mail campaign to check recipients in additional states.

In addition, among other activities, Treasury is:

X maintaining a website on the EFT requirement and the ETA program;

X continuing ongoing efforts to promote Direct Deposit including providing materials to financial institutions, Federal agencies, and the public;

X speaking and exhibiting at conferences and other forums on the benefits of Direct Deposit and the ETA;

X publishing EFT/ETA newsletters for financial institutions, community organizations and other stakeholders; and

X continuing to assist certified and potential ETA providers in implementing the ETA program.

PROGRAM COSTS AND SAVINGS

Costs to implement EFT99, including portions of the ETA program, from FY1997 to FY2001 are approximately $21 million. The public education campaign that I just described has cost approximately $18 million over the past five years, with most of those funds used in the first three years of the campaign.

The remaining funds have been used to develop and publish Treasury's EFT rule and ETA account attributes; educate Federal agencies and other key stakeholders on the EFT rule and ETA features; and work with and assist financial institutions offering the ETA.

Specifically for the ETA, amounts spent as reimbursement to ETA providers for account setup costs totaled approximately $98,000 in FY2000 and are projected to be $155,040 in FY2001. In addition, the Federal Reserve Bank (FRB) of Dallas, in its capacity as fiscal agent, enrolls financial institutions in the ETA Program, has created a database of financial institutions that have been certified as ETA Providers, and manages an Internet web site, an ETA Call Center, and a Voice Response Unit, a toll-free telephone number that can be used to obtain locations of ETA providers by five digit zip code. Costs, including the cost to develop and maintain the database, website, call center and VRU, totaled slightly more than $2.7 million through May of this year.

Therefore total program costs through May 2001 have been $24 million.

What have we received from these expenditures? Since FY1995, annual Treasury-disbursed check volume has decreased by more than 140 million checks. Based on the differential between the cost of making a check payment and the cost of making an EFT payment this decrease has resulted in cumulative savings to date from increased electronic payments of nearly $250 million. In addition to the savings already received, since these payments continue on into the future, recurring savings will result for the life of the payment stream. Based on current check volume percentages when compared to where we were at the end of FY'95, we estimate recurring, annual federal government savings of approximately $70 million per year. These savings were estimated on the assumption that the level of electronic payments will remain constant. Obviously, we plan on doing better than that. Additional savings to be realized from the ETA will accrue over time as savings from the conversion to EFT surpass initial ETA start up costs. These costs include $12.60 paid to financial institutions per account opened as a reimbursement for account setup. Treasury expects to recoup that cost for each account in approximately two and one half years after it is opened, based on a monthly EFT conversion savings per account of slightly more than 41 cents.

Additionally, since check volume has decreased generally, the number of Treasury disbursed forged, altered, and counterfeit checks has decreased by nearly 79,000 since FY 1995. This has resulted in a cumulative $41 million dollar decrease in potential losses associated with check fraud.

CONCLUSION

In conclusion, overall EFT99 implementation has been a tremendous success and continues to proceed well. Implementing the program provides us an important opportunity to deliver the high quality of service that our customers deserve, lower the cost of government to American taxpayers, and help Federal payment recipients without accounts take advantage of the benefits of electronic payments.

I appreciate the opportunity to report on the progress of the EFT99 program and I will be pleased to answer any questions the Subcommittee may have.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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MBARGOED UNTIL 2:30 P.M.
une 20, 2001

CONTACT: Office of Financing
202/691-3550

TREASURY TO AUCTION $11,000 MILLION OF 2-YEAR NOTES

The Treasury will auction $11,000 million of 2-year notes to refund $27,116 illion of publicly held notes maturing June 30, 2001, and to pay down about $16,116 illion.

In addition to the public holdings, Federal Reserve Banks hold $6,167 million f the maturing notes for their own accounts, which may be refunded by issuing n additional amount of the new security.

Up to $1,000 million in noncompetitive bids from Foreign and International onetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New ork will be included within the offering amount of the auction. These oncompetitive bids will have a limit of $200 million per account and will be ccepted in the order of smallest to largest, up to the aggregate award limit of 1,000 million.

TreasuryDirect customers requested that we reinvest their maturing holdings f approximately $773 million into the 2-year note.

The auction will be conducted in the single-price auction format. All competi-ive and noncompetitive awards will be at the highest yield of accepted competitive enders. The allocation percentage applied to bids awarded at the highest yield will e rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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

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

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

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tachment

-436

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF
2-YEAR NOTES TO BE ISSUED JULY 2, 2001

June 20, 2001

Offering Amount	$11,000 million
Public Offering	Offering amount less the amount awarded for FIMA accounts

Description of Offering:

Term and type of security	2-year notes
Series	R-2003
CUSIP number	912827 6Z 0
Auction date	June 27, 2001
Issue date	July 2, 2001
Dated date	June 30, 2001
Maturity date	June 30, 2003
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	Determined at auction
Premium or discount	Determined at auction

STRIPS Information:

Minimum amount required	$1,000
Corpus CUSIP number	912820 GJ 0
Due date(s) and CUSIP number(s) for additional TINT(s)	Not applicable

Submission of Bids:

Noncompetitive bids:

Accepted in full up to $5 million at the highest accepted yield.

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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

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

Embargoed until 10:30 AM EDT
June 21, 2001

Contact: Tara Bradshaw
(202) 622-2960

Statement of Jim Flyzik Acting Assistant Secretary for Management and Chief Information Officer (CIO) before the House Government Reform Committee

Mr. Chairman and members of the Committee, I appreciate the opportunity to appear today to discuss E-Government initiatives within the Department of the Treasury, efforts to comply with the Government Paperwork Elimination Act (GPEA) and how compliance with GPEA fits into the Department's information technology strategic plan. First, I want to thank the Chairman and the other members of the Committee for your continued support and encouragement toward the improvement of information technology and reform in the Federal Government.

As many of you know, I serve as the Acting Assistant Secretary for Management and Chief Information Officer for the Treasury Department. In this role, I provide strategic direction and oversight for all information technology programs within the Treasury Department and its fourteen Bureaus. Since February of 1998, I have served as the Vice Chair of the Federal CIO Council where I play a key role in the strategic direction of the Council and the Federal Government's use of information technology.

The Department of the Treasury is making great strides in harnessing the power of the Internet to improve customer service, increase mission effectiveness, and create operating efficiencies. This progress is evident in the Department's plan to comply with the Government Paperwork Elimination Act (GPEA). However, the Department's drive to be at the forefront of electronic government extends beyond compliance with GPEA requirements. The Treasury CIO Council strategic plan places E-Government at the forefront. The Department is aggressively and proactively developing plans and launching initiatives that will make it a leader in electronic government.

The Treasury CIO Council E-Government plan promotes the development of systems and tools to support the Department's move toward E-Treasury. The CIO Council supports the use of Public Key Infrastructure, Virtual Private Networks, SmartCard and Portal technology to create a platform for E-Government initiatives.

PO-437

An example of the way that Treasury Bureaus are delivering new value to citizens, businesses, and government partners is FMS' Pay.gov. Pay.gov is an Internet portal and transaction engine that offers a package of electronic financial services to assist agencies. The services of Pay.gov rest on four cornerstones:

- Collections – enabling end-users to authorize collections over the Internet
- Forms submittals and bill presentment – accepting agency forms submitted over the Internet and presenting agency bills to end-users over the Internet
- Authentication – establishing the identity of Internet end-users
- Agency reporting – providing necessary information back to agencies about transactions.

The services of Pay.gov can help agencies meet their GPEA requirements to accept forms electronically by October 2003. The basic services of Pay.gov generally will be free for agencies and the public. FMS will price services that go beyond basic services using an "at-cost" basis.

I would like to mention a few additional E-Government initiatives within the department. The Information Technology Investment Portfolio System (I-TIPS) is a government-owned, off-the-shelf tool. Treasury hosts this system for use throughout government. I-TIPS is a web-based, E-Government solution that supports the selection, control and evaluation of information technology projects. It houses a broad range of information about the business purposes, technology, costs, risks and return of a specific project. Treasury required the bureaus to use I-TIPS as part of their capital planning and budgeting activities. It enabled Treasury to provide consolidated IT budget information electronically to OMB. I-TIPS eliminated the need for bureaus to develop and maintain separate reporting systems. Treasury is also the government-wide project manager for I-TIPS. Over twenty agencies in the Federal government report using I-TIPS. The federal government reduces system development and maintenance costs substantially through standardization. I-TIPS supports GPEA by replacing the annual paper-based IT Planning Call with an electronic submission.

Treasury also hosted the Federal Bridge Certification Authority (FBCA) project for the Federal government, currently operated by GSA. The FBCA is a mechanism for the secure exchange of information between government agencies. The bridge allows agency public key infrastructures (PKIs) to interoperate as it permits digital credentials (called "digital certificates") issued by each agency to its employees to be accepted with trust and confidence by other agencies for electronic transactions. This functionality directly supports E-Government, as agencies will be able to perform Internet-enabled transactions, such as credit card collections through banks, or secure emails between agencies, with previously unattainable trust and confidence. A prototype version of the FBCA became operational in February 2000 and was successfully used in a large-scale test in April 2000.

During that time, the PKIs of five different organizations within the U.S., the Canadian Government and academia, were cross-certified through the prototype FBCA. The agencies were able to interoperate, successfully exchanging digitally signed electronic mail messages. FBCA is operated by GSA and, once cross-certification has been completed, will be used by NASA, USDA's National Finance Center, FDIC, Treasury, the State of Illinois, and the Canadian Government for the electronic transfer of documents.

Treasury's Bureau of Public Debt partnered with Treasury's Financial Management Service, Mellon Bank, MasterCard and IBM to build an Internet-based system to sell U.S. Savings Bonds directly to the public. Savings Bond Direct allows citizens to buy a savings bond on a 24 x 7 basis through the Internet using a credit card. The Bureau of Public Debt sells directly to the public instead of using its traditional network of over 40,000 commercial banks. Through Savings Bond Direct, Public Debt reduced the delivery time for bonds by one-third. The system cost $350 thousand to develop and implement and within its first 18 months of operation, generated almost $230 million in bond sales.

The Bureau of the Public Debt's Treasury Direct Electronic Services (TDES) allows individuals to directly manage their investments in the U.S. Treasury marketable securities using either the Internet or telephone. The system is an application that uses intelligent agents to automate various investor services, such as purchasing securities, reinvesting maturing securities, viewing account status, requesting account statements, as well as other similar services. TDES was implemented to promote self-sufficiency among Treasury Direct's 700,000 customers and to facilitate Public Debt's consolidation of servicing sites from thirty-seven Federal Reserve Banks to three. By using TDES, Public Debt has reduced the processing cost of a tender to $0.50 as opposed to $30.00 to process a paper tender in the past.

The Savings Bond Connection and the Treasury Direct Electronic Services are two highly secure E-Government applications that allow individual investors the option of purchasing securities on-line, completing transactions to include the payment process, and accessing account information.

The U.S. Mint operates the Online Store, a highly successful electronic commerce web site with an online catalog shopping service. The site offers Internet catalog browsing with mail and phone order capability as well as secure credit card sales. The U.S. Mint's Online Store is recognized as one of the top 20 "e-tailers" in the nation, with total web sales of more than $256 million during a twelve-month period. The Mint receives orders from customers to electronically buy Mint products. The Mint also receives coin orders electronically from the Federal Reserve Banks (FRB). E-mails and electronic spreadsheets are used quarterly by the FRB to order coins for individual banks by denomination and amount.

The Electronic Federal Tax Payment System (EFTPS), provides an electronic system for reporting and paying Federal taxes. EFTPS is the largest payment collections system in the world. The Financial Management Service (FMS) and the Internal Revenue Service (IRS), working with the private sector, have modernized the federal tax payment environment. They started with the federal tax deposit coupon system then expanded to other business and individual tax payments. By replacing the current paper-based system, EFTPS benefits taxpayers and the Federal Government by providing greater reporting efficiencies and by expediting the availability of funds and investment decision-making information to the Treasury Department. The primary objectives for EFTPS are to reduce the filing burden by providing flexible payment choices for taxpayers; to increase the speed, efficiency, and accuracy of revenue collection and taxpayer account posting; and to expedite the availability of funds to the Government. EFTPS-OnLine was launched in October 2000 as an Internet pilot that allows business taxpayers, by invitation only, to enroll, make payments, and access customer service OnLine. The nationwide launch of EFTPS-OnLine is scheduled for September 2001 and will allow businesses and individuals to make their tax payments electronically.

The IRS E-file program provides faster refunds, an acknowledgement that the tax return has been accepted by the IRS, and nearly 100% accuracy, all of which translates into fewer contacts with the IRS. As of June 8, 2001, the IRS received about 123 million Form 1040 returns, up about 1.3% from last year at that time. This includes 39.8 million returns that were filed electronically, up about 13.3% from the same period last year. Congress has established the aggressive goal that 80 percent of all tax and information returns should be filed electronically by 2007. The IRS has developed a strategic plan that will enable them to make significant progress toward accomplishing this goal and revolutionizing how both individual and business taxpayers transact and communicate with the IRS.

Even though the IRS Restructuring Act of 1998 statutorily exempts IRS from GPEA, the IRS Business System Modernization efforts support the intent of GPEA. The federal tax system, which produces close to $2 trillion in revenue each year, is dependent on a collection of obsolete computer systems developed by IRS over the last 35 years. The purpose of the IRS Business Systems Modernization effort is to raise all major IRS business systems to the level of best practice that exists in private and public sectors, while managing risks inherent in the process. This modernization effort will impact every component of IRS over time. Implementation work on the first approved modernization projects to facilitate call routing and electronic filing will begin in 2001-2002.

In the last decade, trade has grown 132%. U.S. Customs is currently using the Automated Commercial System (ACS), which is sixteen years old and taxed to its limits.

To address this deficiency, Customs has designated its replacement, the Automated Commercial Environment (ACE) under the overall Customs Modernization Program. Other government agencies, such as Agriculture, Food and Drug Administration, Transportation, Immigration and Naturalization Service, and the Bureau of the Census, rely on Customs systems to perform their internal operations. Currently, a single international shipment can require as many as 40 different government paper forms. Ninety percent of the information is redundant. ACE will significantly reduce the paperwork burden, provide functionality long sought by the trade, and respond to legislative requirements. Further, the International Trade Data System (ITDS) will provide a single, comprehensive front-end interface for over 100 federal regulatory and enforcement agencies. ITDS will also support the data interactions between these agencies and over 350,000 businesses involved in international trade. The ACE and ITDS modernization efforts respond directly to GPEA requirements.

The Alcohol, Tobacco and Firearms' (ATF) electronic government investment expands on and is enabled by the Department's earlier investments in ATF's technology and business modernization efforts. Using current Internet based technologies, ATF will provide the necessary tools to permit the 630,000 members of the alcohol, tobacco, firearms and explosives industries to file all required forms and reports using secure Internet transactions. To maximize the utilization of this investment, these same technologies will be used to solicit, award, administer, and pay commercial vendors conducting business with ATF. ATF's electronic government investment proposes the use of current technology to accomplish a 200 year old core Treasury mission. The technology will support the submission, receipt and audit of tax return data and associated payments as well as the receipt and audit of non-tax related forms filed by regulated industry members. This proposal will replace the current paper-based submission of nearly 1.5 million documents filed annually by industry members with highly accurate electronic data.

The Financial Management Service (FMS) Payment Application Modernization and Government-wide Accounting Modernization efforts include processes in the areas of payments, collections, government-wide accounting and debt management that, when made available in an electronic form, will provide individuals and other entitles that do business with FMS, the option to submit information or transact with FMS more efficiently and with improved customer service and satisfaction. Since the implementation of the electronic funds transfer (EFT) requirement of the Debt Collection improvement Act, the percentage of total Treasury disbursed payments made by EFT has risen to 73%. FMS Payment services touch the lives of over 100 million people. Literally tens of millions of Americans depend on FMS systems to meet lifeline needs every month. FMS makes almost 900 million payments annually on behalf of civilian agencies such as the Social Security Administration, Department of Veterans Affairs and the IRS. FMS also offsets certain payments against debt owed to the Federal Government. Payment modernization is one component of a multi-year effort to replace, streamline and reengineer the critical information systems that support core FMS business processes.

The processes and systems used to account for and report on the execution of the President's Budget, and on the government's receipts, outlays and surplus or deficit, have not changed fundamentally for 30 years. However, there have been dramatic changes in the government's accounting environment. The Government-wide Accounting Modernization initiative will improve the reliability and timeliness of the government's financial information by providing better tools for federal program agencies to check the status of their financial information held by Treasury and by streamlining reporting and reconciliation processes.

Treasury's Strategic Plan and the goals of the Government Paperwork Elimination Act (GPEA) are linked to all of our E-Government initiatives and modernization efforts. I am a member of Treasury's Capital Investment Review Board (CIRB) and one of the criteria we use to analyze business cases is whether the proposed investment is in alignment with strategic business objectives. The goal of reducing the burden of paperwork and increasing the ability of customers to interact with Treasury electronically, while re-engineering and streamlining our business processes makes good business sense. GPEA was a catalyst to our efforts.

In summary, I would like to reiterate that the Department's drive to be at the forefront of electronic government extends beyond compliance with GPEA requirements. Although GPEA-related activities are a critical component of the overall Treasury effort, the Department is seeking to fundamentally redefine the way in which it performs some of its critical missions. The Department is aggressively and proactively developing plans and launching initiatives that will make it a leader in electronic government.

I would like to thank the subcommittee for the support it has given to E-Government. Without your support we would not have been able to achieve the National success we enjoyed to date. I would like to thank the members of the Committee for the opportunity to present this morning. Mr. Chairman, this concludes my formal remarks and I would be happy to respond to any questions.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Embargoed until 11:30 a.m. EDT
June 21, 2001

Contact: Tony Fratto
(202) 622-2960

STATEMENT OF BRIAN C. ROSEBORO NOMINEE FOR ASSISTANT SECRETARY OF THE TREASURY FOR FINANCIAL MARKETS BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE

Chairman Baucus, Ranking Member Grassley, and Members of the Committee on Finance, thank you for the opportunity to appear before you today.

I am honored that President Bush has nominated me to serve as Assistant Secretary of the Treasury for Financial Markets and, if confirmed, to have the opportunity to work with Secretary O'Neill, the Treasury staff, and others in the Administration to advance the President's economic agenda.

Before proceeding any further, I would like to take this opportunity to thank my grandparents, Cleo Duncan Roseboro and James Benjamin Roseboro Jr., both deceased. It is because of their instilling the values of hard work, perseverance and faith that I am honored to sit before you today.

If confirmed, I look forward to working closely with this Committee, the Senate, and with Members of the House of Representatives on the broad range of issues addressed by the Office of Financial Markets.

The Department of the Treasury plays a fundamental role in our financial markets. The strength and resilience of the markets are of critical importance to global financial stability and confidence. In addition to serving as an advisor to Secretary O'Neill on capital market issues, debt management, and Treasury's response to market events, I especially hope to have the opportunity to work with this Committee to improve the efficiency with which we finance the government's obligations.

My eighteen years of experience in capital markets has given me the opportunity to learn about and actively confront many of the pertinent issues evolving from the globalization of banking and capital markets. Beginning my career with the Federal Reserve Bank of New York, I learned the macroeconomic policy and operational issues critical for the development of efficient markets. Later, private sector opportunities, with preeminent global banking and insurance institutions, honed my understanding of the issues of those seeking to transfer financial risk and those choosing to manage it.

PO-438

In sum, I have been afforded a unique opportunity to understand and actively address many issues evolving in financial markets from the perspectives of regulator, salesperson, trader, and corporate wide risk manager.

Mr. Chairman, thank you again for the opportunity to appear before the Committee. I hope members of the Committee will support me, and I promise to work diligently and with an open mind on all matters that this Committee may wish to raise with this Office. I hope that this will be the beginning of a strong working relationship.

I would like to thank Secretary O'Neill for the confidence he has shown in me by supporting me for this office. I would be pleased to answer any questions that you and other members of the Committee may have.

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TREASURY NEWS
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FOR IMMEDIATE RELEASE
June 21, 2001

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Office of Public Affairs
202-622-2960

TREASURY DEBT BUYBACK OPERATION RESULTS

Today, Treasury completed a debt buyback (redemption) operation for $1,750 million par of its outstanding issues. A total of 12 issues maturing between February 2015 and August 2019 were eligible for this operation. The settlement date for this operation will be June 25, 2001. Summary results of this operation are presented below.

(amounts in millions)

Offers Received (Par Amount):	$8,414
Offers Accepted (Par Amount):	1,750
Total Price Paid for Issues (Less Accrued Interest):	2,515
Number of Issues Eligible:	
For Operation:	12
For Which Offers were Accepted:	7
Weighted Average Yield of all Accepted Offers (%):	5.586
Weighted Average Maturity for all Accepted Securities (in years):	15.0

Details for each issue accompany this release.

0-439

June 21, 2001

TREASURY DEBT BUYBACK OPERATION RESULTS

(amounts in millions, prices in decimals)

Table I

Coupon Rate (%)	Maturity Date	Par Amount Offered	Par Amount Accepted	Highest Accepted Price	Weighted Average Accepted Price
11.250	02/15/2015	537	240	154.453	154.424
10.625	08/15/2015	735	670	149.312	149.260
9.875	11/15/2015	605	190	142.234	142.192
9.250	02/15/2016	519	75	136.218	136.192
7.250	05/15/2016	197	0	N/A	N/A
7.500	11/15/2016	433	0	N/A	N/A
8.750	05/15/2017	886	45	132.343	132.322
8.875	08/15/2017	977	308	133.937	133.920
9.125	05/15/2018	540	0	N/A	N/A
9.000	11/15/2018	570	0	N/A	N/A
8.875	02/15/2019	1,194	222	135.234	135.232
8.125	08/15/2019	1,222	0	N/A	N/A

Table II

Coupon Rate (%)	Maturity Date	CUSIP Number	Lowest Accepted Yield	Weighted Average Accepted Yield	Par Amount Privately Held*
11.250	02/15/2015	912810DP0	5.516	5.518	9,240
10.625	08/15/2015	912810DS4	5.546	5.550	3,224
9.875	11/15/2015	912810DT2	5.569	5.572	4,660
9.250	02/15/2016	912810DV7	5.593	5.595	4,775
7.250	05/15/2016	912810DW5	N/A	N/A	17,724
7.500	11/15/2016	912810DX3	N/A	N/A	17,168
8.750	05/15/2017	912810DY1	5.640	5.642	13,487
8.875	08/15/2017	912810DZ8	5.643	5.644	9,973
9.125	05/15/2018	912810EA2	N/A	N/A	5,833
9.000	11/15/2018	912810EB0	N/A	N/A	6,734
8.875	02/15/2019	912810EC8	5.685	5.685	12,712
8.125	08/15/2019	912810ED6	N/A	N/A	16,741

Total Par Amount Offered: 8,414

Total Par Amount Accepted: 1,750

Note: Due to rounding, details may not add to totals.

*Amount outstanding after operation. Calculated using amounts reported on announcement.

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EMBARGOED UNTIL 2:30 P.M.
June 21, 2001

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 $27,000 million to refund $18,827 million of publicly held bills maturing June 28, 2001, and to raise about $8,173 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $10,051 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of each auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers have requested that we reinvest their maturing holdings of approximately $939 million into the 13-week bill and $698 million into the 26-week bill.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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

PO-440

TO BE ISSUED JUNE 28, 2001

June 21, 2001

Offering Amount	$15,000 million	$12,000 million
Public Offering	Offering amount less the amount awarded for FIMA accounts	

Description of Offering:

Term and type of security	91-day bill	182-day bill
CUSIP number	912795 HQ 7	912795 HZ 7
Auction date	June 25, 2001	June 25, 2001
Issue date	June 28, 2001	June 28, 2001
Maturity date	September 27, 2001	December 27, 2001
Original issue date	March 29, 2001	June 28, 2001
Currently outstanding	$12,207 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 million at the highest discount rate of accepted competitive bids.

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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 Rate ....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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FOR IMMEDIATE RELEASE
June 22, 2001

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FINANCIAL ACTION TASK FORCE RELEASES 2000-2001 REPORT ON INTERNATIONAL MONEY LAUNDERING

The Treasury Department welcomes today's announcement by the Financial Action Task Force (FATF) of significant progress in its efforts to combat international money laundering. Dramatic results have been achieved through its initiative on non-cooperative countries and territories. The FATF removed the Bahamas, the Cayman Islands, Liechtenstein and Panama from the list it published one year ago, recognizing the comprehensive reforms they have put in place. "We applaud the legal reforms made by these countries," said U.S. treasury Secretary Paul O'Neill. "These improvements are a testament to the effectiveness of international cooperation in combating money laundering, and I'm optimistic that the FATF process will generate further progress."

Eleven countries named last year will remain on the non-cooperation list: the Cook Islands, Dominica, Israel, Lebanon, Marshall Islands, Nauru, Niue, the Philippines, Russia, St. Kitts & Nevis, and St. Vincent & the Grenadines. In addition, the FATF has placed six more countries on the list: Burma, Egypt, Guatemala, Hungary, Indonesia, and Nigeria. The U.S. Treasury Department urges all 17 countries to move quickly to enact and implement needed reforms. The Treasury Department intends to update its advice to U.S. financial institutions as necessary to reflect the FATF findings.

The FATF has also recommended the imposition of additional countermeasures against Russia, Nauru, and the Philippines due to their lack of progress over the last year in addressing the FATF's concerns. The countermeasures will go into effect on September 30, 2001, unless their governments enact significant legislation before then to address these problems. The Treasury Department supports counter measures against countries refusing to implement constructive legal reforms to address ongoing money laundering concerns. The Treasury Department, in conjunction with the Department of State and the Department of Justice, remains firmly committed to this global battle and we praise the steps the FATF has taken today.

PO-441

FATF INFORMATION: The FATF is an independent international body. The twenty-nine member countries and governments of the FATF are: Argentina; Australia; Austria; Belgium; Brazil; Canada; Denmark; Finland; France; Germany; Greece; Hong Kong; China; Iceland; Ireland; Italy; Japan; Luxembourg; Mexico; The Kingdom of the Netherlands; New Zealand; Norway; Portugal; Singapore; Spain; Sweden; Switzerland; Turkey; United Kingdom; and the United States. Two international organizations are also members of the FATF: the European Commission and the Gulf Co-operation Council.

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FOR IMMEDIATE RELEASE
June 25, 2001

Contact: Tony Fratto
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TREASURY POSTS U.S. SELF-ASSESSMENTS RELATING TO COMPLIANCE WITH 12 KEY INTERNATIONAL STANDARDS AND CODES

Treasury Secretary Paul O'Neill today announced the release of a series of U.S. self-assessments relating to compliance with international standards designed to strengthen financial systems in countries around the world. Some of the self-assessments have been completed previously by various public and private organizations, but are being made available via a new page on the Treasury website (http://www.treas.gov/standards/).

The release of U.S. self-assessments is part of an international effort to improve transparency globally as a way to promote stronger financial systems that can withstand crises. The creation of the new website is the culmination of a cooperative effort between the U.S. Treasury and the Commodities Futures Trading Commission (CFTC), the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), the National Association of Insurance Commissioners (NAIC), the Office of the Comptroller of the Currency (OCC), the Office of Management and Budget (OMB), and the Securities and Exchange Commission (SEC).

Secretary O'Neill said, "Crisis prevention requires all countries to pursue sound policies and develop robust financial sectors. Adopting practices that meet or even exceed key international standards for financial systems - such as bank capital, supervisory standards and accounting principles - is critical." He went on to say, "The inter-agency process that contributed to this release demonstrates the strong support of the United States for standards and codes, our recognition of the critical role that the standards process can play in strengthening crisis prevention, and the government-wide commitment to transparency."

The standards covered by the assessments are the 12 key standards highlighted by the Financial Stability Forum (FSF) in its *Compendium of Standards*. The United States is a member of the FSF, and helped to identify the 12 key standards, which cover the areas of macroeconomic policy and data transparency, institutional and market infrastructure, and financial supervision and regulation.

PO-442

The 12 key standards (and the standard-setting body) highlighted in the FSF *Compendium* are:

1) Code of Good Practices on Transparency in Monetary and Financial Policies (International Monetary Fund)
2) Code of Good Practices on Fiscal Transparency (International Monetary Fund)
3) Special Data Dissemination Standard/General Data Dissemination System (International Monetary Fund)
4) Principles and Guidelines for Effective Insolvency and Creditor Rights Systems (World Bank)
5) Principles of Corporate Governance (Organization for Economic Cooperation and Development)
6) International Accounting Standards (International Accounting Standards Board)
7) International Standards on Auditing (International Federation of Accountants)
8) Core Principles for Systemically Important Payment Systems (Committee on Payment and Settlement Systems)
9) The Forty Recommendations of the Financial Action Task Force (Financial Action Task Force)
10) Core Principles for Effective Banking Supervision (Basel Committee on Banking Supervision)
11) Objectives and Principles of Securities Regulation (International Organization of Securities Commissions)
12) Insurance Core Principles (International Association of Insurance Supervisors)

Countries that work toward meeting or exceeding these standards will help promote financial stability by strengthening financial regulation and supervision, improving transparency, improving market integrity, and facilitating better-informed lending and investment decisions.

The IMF and World Bank have established a process for assessing countries' implementation of the 12 key standards, which are published as Reports on Observance of Standards and Codes (ROSCs). Most of the ROSCs that have been completed to date are available on the IMF website.

The U.S. self-assessments are not meant to be a substitute for external assessments under the IMF and World Bank ROSC program. However, the U.S. is making available the self-assessments, which can be a valuable input into the external assessment process, in order to help promote greater awareness of U.S. practices.

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 25, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	June 28, 2001
Maturity Date:	September 27, 2001
CUSIP Number:	912795HQ7

High Rate: 3.375% Investment Rate 1/: 3.451% Price: 99.147

All noncompetitive and successful competitive bidders were awarded ecurities at the high rate. Tenders at the high discount rate were llotted 27.05%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 29,388,425	$ 13,624,878
Noncompetitive	1,245,139	1,245,139
FIMA (noncompetitive)	130,000	130,000
SUBTOTAL	30,763,564	15,000,017 2/
Federal Reserve	5,156,272	5,156,272
TOTAL	$ 35,919,836	$ 20,156,289

Median rate 3.370%: 50% of the amount of accepted competitive tenders as tendered at or below that rate. Low rate 3.340%: 5% of the amount f accepted competitive tenders was tendered at or below that rate.

id-to-Cover Ratio = 30,763,564 / 15,000,017 = 2.05

/ Equivalent coupon-issue yield.
/ Awards to TREASURY DIRECT = $1,026,174,000

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 25, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	June 28, 2001
Maturity Date:	December 27, 2001
CUSIP Number:	912795HZ7

High Rate: 3.340% Investment Rate 1/: 3.445% Price: 98.311

All noncompetitive and successful competitive bidders were awarded ecurities at the high rate. Tenders at the high discount rate were llotted 2.92%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 25,443,908	$ 10,927,128
Noncompetitive	928,146	928,146
FIMA (noncompetitive)	145,000	145,000
SUBTOTAL	26,517,054	12,000,274 2/
Federal Reserve	4,895,157	4,895,157
TOTAL	$ 31,412,211	$ 16,895,431

Median rate 3.320%: 50% of the amount of accepted competitive tenders as tendered at or below that rate. Low rate 3.280%: 5% of the amount f accepted competitive tenders was tendered at or below that rate.

id-to-Cover Ratio = 26,517,054 / 12,000,274 = 2.21

/ Equivalent coupon-issue yield.
/ Awards to TREASURY DIRECT = $744,273,000

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 26, 2001

Contact: Tony Fratto
(202) 622-2960

IMF CONCLUDES ARTICLE IV CONSULTATION WITH THE UNITED STATES

The Treasury Department is releasing today the concluding statement by the staff of the International Monetary Fund following this year's Article IV Consultation with the United States. This statement represents IMF staff's independent judgement and assessment of U.S. economic performance and policies.

In its statement, the IMF staff commends the United States for strong economic performance, a sound policy framework, and its contribution to the global economy. The IMF staff also takes note, however, of the recent economic slowdown, asserting that "the principal policy priority for the United States in the near term is to revive economic growth." IMF staff adds that "some short-term fiscal stimulus along the lines of the recently enacted tax cut will help insure against a sharper slowdown" and notes further that the "Federal Reserve's substantial easing of monetary policy since early 2001 has been appropriate." On external balances, the IMF staff notes that the current account deficit has reflected the stronger pace of economic growth and relatively higher rate of return in the United States and that further reforms abroad would "help to ensure that the adjustment of external balances takes place in a manner conducive to strong global growth."

Release of this statement is consistent with a broad effort by the United States to enhance the transparency of the IMF. Thus far in 2001, nearly 90 percent of the IMF's members have published Public Information Notices (PINs) for Article IV consultations. In addition, in recent years, over sixty countries and regions, including the United States, have published the staff reports on their Article IV reviews and more plan to do so. The United States expects to release this year's staff report later this summer after it has been reviewed by the IMF's Executive Board.

-30-

PO-445

INTERNATIONAL MONETARY FUND

2001 Article IV Consultation with the United States of America

Statement of the Fund Mission

June 26, 2001

1. ***Sound fiscal and monetary policies over the past decade have provided a strong foundation for the longest U.S. economic expansion on record.*** Determined policy efforts led to a dramatic improvement in the federal fiscal balance since 1992, resulting in large and growing fiscal surpluses in the last three years. The sure-handed implementation of monetary policy allowed the economy to expand strongly, and unemployment fell to levels not seen in more than three decades, without igniting inflationary pressures. With concerns rising that the strong pace of growth in 1999 and early 2000 might push output past even what appeared to be the economy's rapidly expanding productive capacity, the Federal Reserve moved during this period to tighten monetary policy to guard against overheating of the economy and the emergence of inflationary pressures. Signs of slower growth did not appear until mid-2000, but then the economy slowed much more rapidly than expected.

2. ***The sharp slowdown in economic growth reflected a number of mutually reinforcing developments that weighed heavily on economic activity in the second half of 2000 and into early 2001.*** Higher interest rates, rising energy prices, falling stock prices, and wider credit spreads contributed to reducing investment and dampening consumer spending. Lagging sales and a buildup in inventories triggered sharp cutbacks in production in some sectors of the economy and clouded corporate earnings and employment prospects, creating considerable uncertainty regarding the future course and strength of economic activity. At this juncture, whether economic activity recovers soon or remains sluggish for a protracted period depends on how consumer and business confidence evolve and influence consumption and investment decisions; whether households and businesses encounter balance-sheet problems that spill over on to the banking system; and whether the stronger productivity growth of recent years is sustained. The recent slowdown in a number of major economic partners is likely to have some dampening effect on U.S. growth.

3. ***In these circumstances, the IMF staff believes that the principal policy priority for the United States in the near term is to revive economic growth.*** While the new tax reduction act will provide some stimulus to domestic demand, monetary policy should be the primary instrument for stimulating economic activity. The Federal Reserve's substantial easing of monetary policy since early 2001 has been appropriate. Whether further easing will be needed will depend on the economy's response to past interest rate cuts. If economic and financial indicators remain weak, additional cuts in interest rates may be necessary. Provided that underlying productivity growth continues at a reasonable pace, inflationary pressures are expected to remain generally well contained owing to an easing in labor market tightness and strong competition in product markets, thereby providing room for a forward-looking monetary policy to support the economy in the event of persistent weakness.

4. ***In recent years, the stronger pace of U.S. growth relative to major trading partners and the real effective appreciation of the dollar—largely driven by capital inflows seeking a higher relative rate of return from investments in the United States—contributed to a large widening in the U.S. external current account deficit. The size of that deficit—now over 4½ percent of GDP—is not sustainable in the longer term, and has raised concerns that the dollar might be at risk for a sharp depreciation. Nevertheless, with the right policies in the United States and other major countries, adjustment in the current account should occur in an orderly manner.*** In the period ahead, as world demand growth is rebalanced and the cyclical positions of the United States and other major countries converge, demand for U.S. net exports should increase and U.S. net capital inflows should moderate, leading to a gradual depreciation in the dollar and a narrowing in the U.S. current account deficit. Disciplined macroeconomic policies in the United States—including the continuation of fiscal surpluses which will contribute to maintaining national saving—will facilitate, although not guarantee, an orderly adjustment. Further reforms in Europe and Japan that enhance the prospects for profitable domestic investment in these areas would also help to ensure that the adjustment of external balances takes place in a manner conducive to strong global growth.

5. ***Although evidence suggests a reasonably favorable outlook for underlying productivity growth—reflecting continued gains in technological innovation and in the adoption and diffusion of technology—less optimistic productivity prospects could trigger a downward revision in expected earnings growth and lead to a significant rebalancing of domestic and international portfolios.*** This might involve a sharp adjustment in the value of the dollar. In that event, monetary policy should remain focused on ensuring sustained low-inflationary economic growth. The main challenge for U.S. policy would be to determine whether underlying productivity growth had actually slowed down.

6. ***Given the current weakness in economic activity, some short-term fiscal stimulus along the lines of the recently enacted tax cut will help to insure against a sharper slowdown. More generally, fiscal policy should remain focused on medium-term issues, with tax policy driven mainly by structural considerations.*** The IMF staff welcomes the emphasis that has been placed on cutting all marginal personal income tax rates—rather than using the tax system to provide incentives for particular activities—and on simplifying the structure of the tax system by removing the phaseout provisions for personal exemptions and itemized deductions. These efforts are likely to yield better incentives to work and invest, to improve transparency, and to lower compliance costs. However, the scheduled expirations of some of the tax cuts, which were used as budget accounting devices to keep the estimated cost of the package within agreed limits, will increase uncertainty and complicate tax planning; it also means that parts of the tax package will need to be revisited.

7. ***In the end, the total cost of the tax cuts is likely to be significantly higher than current estimates suggest, unless offsetting actions are taken.*** The tax reductions that expire in 2010 and the relief from the impact of the alternative minimum tax that lapses in 2004 can be expected to be extended beyond these expiration dates, adding significantly to the cost of

tax reductions. Moreover, various "temporary" tax credits are likely to be renewed, as they have been in the past, entailing further budgetary costs.

8. ***Potential expenditure slippages are also a risk to the medium-term budget outlook.*** With budget surpluses in the last three fiscal years, discretionary spending has risen more rapidly than the mandated spending limits. The IMF staff welcomes the Administration's efforts to keep discretionary spending in check and its proposal to extend the use of the PAYGO requirement and discretionary spending caps (with an appropriate adjustment in their levels) beyond their expiration in FY 2002. Strong prospective spending pressures will test this resolve. The Administration, itself, has indicated a few priority areas for increasing expenditures, suggesting that this additional spending will be funded out of the "reserve" in the FY 2002 Budget or by implementing offsetting spending cuts in nonpriority items. The Budget reserve, however, may be smaller than anticipated (particularly if the cost of the tax cuts is higher than envisaged), and a substantial portion of the reserve is likely to be required to pay for the Administration's education initiatives and its plans for defense. While there is scope for cuts in other discretionary spending, limiting total discretionary spending to the modest increases planned is likely to prove to be very difficult.

9. ***In view of the uncertainties in the final cost of tax cuts, in the ability to hold down increases in discretionary spending, and in the accuracy of fiscal forecasts in the out years (when the cost of the tax cuts would be greatest), the IMF staff takes the view that both spending increases and multi-year tax cuts need to be implemented flexibly with an eye toward ensuring that sufficient resources will be available to finance these measures over the budget horizon.*** To firmly lock in place both tax reductions and new expenditure initiatives would substantially increase the risk that the budget position could deteriorate sharply in the longer term, with the possibility that the Administration's objective of preserving the Social Security surplus might not be achieved.

10. ***The Budget recognizes the need for additional measures to put the Medicare and Social Security programs on a sound long-term financial footing.*** With respect to Medicare, the Administration has chosen to focus on the finances of the program as a whole, instead of separately dealing with its two components—Hospital Insurance (HI) and Supplementary Medical Insurance (SMI). The Budget proposes effectively to spend all of the $525 billion surplus which will accrue to the Medicare HI trust fund over the next ten years in part to pay for the costs of the whole Medicare program and to expand Medicare benefits by introducing a modest prescription drug benefit for low-income seniors, pending consideration of a comprehensive Medicare reform. At the same time, the Budget commits the Administration to preserving the Social Security surplus and using it for debt reduction and Social Security reform. However, it acknowledges the need for further actions to adequately meet the program's future obligations, and a new commission has been formed to study Social Security reform.

11. ***In the IMF staff's view, a reasonable fiscal target over the medium term would be to set aside sufficient resources to put Social Security and the whole Medicare program on a financially viable basis over the longer term and keep the rest of the budget in balance***

over the economic cycle. Priority needs to be given to solving the financing problems of Social Security and Medicare, and at present there are sufficient resources available to solve these problems. In the period immediately ahead, preserving the surpluses in the Social Security and Medicare HI trust funds and balancing the rest of the budget would make a meaningful down payment toward this fiscal target. The trust funds for Social Security and Medicare HI were established originally as part of reform plans to partially pre-fund these largely pay-as-you-go programs to allow them to meet their long-term obligations without the need for sharp future increases in tax rates or cuts in benefits. To achieve this purpose, the surpluses in these trust funds have actually to be saved in order to put aside real resources to meet the programs' future liabilities. While the Administration does not find it useful to distinguish between the HI and the SMI components of Medicare, the IMF staff views some pre-funding of the entire program—which saving the Medicare HI surplus would accomplish pending the enactment of a comprehensive Medicare reform—as advantageous for tax-smoothing purposes. For Social Security, its long-term financing problems are not large, especially in comparison with those faced by many other industrial countries, and could be solved by making some moderate adjustments now to the program's parameters.

12. ***Finding a permanent long-term solution for the financing of Medicare will present a significant challenge given the difficulties associated with predicting the program's costs.*** Periodic adjustments to the program are likely to be needed, and a mechanism for making such adjustments on a regular basis should be established. A comprehensive solution to Medicare's financial problems is likely to involve a menu of choices that would include changing benefits, raising co-payments and deductibles, and increasing contribution rates. Timely adoption of a comprehensive reform package to improve the program's longer-term financial viability would avoid the need for more drastic measures if such reforms were unduly delayed.

13. ***Prospects for a significant pay down in U.S. government debt have improved dramatically from only a few years ago. In the period ahead, saving by the federal government will result in overall budget surpluses that are likely to exceed the government's redeemable marketable debt. If this money is to be saved, which it should be to deal with future liabilities, there is no choice but to invest such excess cash balances in private assets.*** The challenge will be to ensure that such investments are managed in a manner that will minimize any risk that there would be undue political interference in investment decisions and adverse effects on economic efficiency and long-term growth prospects. This could be accomplished by establishing individually controlled voluntary personal retirement accounts within the Social Security system, as the Administration suggests, or by investing these balances through the Social Security trust fund. There are important tradeoffs to be considered in adopting either of these approaches, but regardless of the means chosen, the IMF staff believes that the ultimate objective has to be to ensure that sufficient resources are set aside to meet the future needs of Social Security and Medicare.

14. ***Although U.S. banks experienced some moderate deterioration in commercial loan quality in 2000 and early 2001, the overall condition of the banking sector remains healthy.*** The deterioration in loan quality reflected higher interest rates through mid-2000,

slowing corporate profit growth, and weakness in certain sectors (particularly telecommunications). The slowdown in economic growth during 2001 is likely to result in some further deterioration in credit quality that will have a negative impact on bank profitability. However, current profit and capitalization levels are relatively high, putting banks in a strong position to weather the impact of these effects.

15. ***In late 1999, passage of the Gramm-Leach-Bliley (GLB) Act introduced a comprehensive overhaul of the outdated laws regulating the financial sector in the United States.*** The Act repealed the restrictions on affiliation between banks, securities firms, insurance companies, and other financial service providers. It empowered the Federal Reserve as the "umbrella" supervisor for the newly created financial holding companies, but limited its supervisory authority over the operating units of these companies that are regulated by other banking agencies and the nonbank functional regulators. Since the passage of the GLB Act, progress has been achieved in making this new supervisory framework operational, as the regulatory agencies have worked to enhance interagency cooperation and information sharing. These efforts are especially important in view of the wide distribution of various responsibilities among different agencies. In particular, the continued emphasis on refining the program for the supervision of large complex banking organizations, with the focus on evaluating and reviewing internal systems and controls for risk management, is welcome.

16. The United States should continue to be a major force for further liberalization of trade on a multilateral basis, and efforts to initiate a new round of multilateral trade negotiations should remain the key priority. At the same time, the IMF staff notes recent progress with free trade initiatives on a regional and bilateral basis and recognizes the beneficial effects that such negotiations may yield for global trade liberalization. The IMF staff also welcomes the renewed efforts by the Administration to obtain Trade Promotion Authority because of the important role it could play in securing commitments from other countries to conclude trade liberalization agreements. Improvements in market access provided in the African Growth and Opportunity Act and the Caribbean Basin Enhanced Initiative are useful steps in enhancing growth prospects for countries in these regions, and the IMF staff encourages the authorities to take additional needed steps to provide duty- and quota-free access to the U.S. market for all least-developed countries.

17. The slowdown in U.S. economic activity and the continued strength in the dollar may give rise to increased demands for import protection, as suggested by the recent initiation of a safeguard investigation of the steel industry. Such protectionist pressures need to be strongly resisted. To enhance market competition with substantial benefits to the economy overall, the IMF staff believes that a change in the administration of antidumping and countervailing duty procedures is needed. Such import protection should be provided only in those cases where foreign producers are found to be engaged in anticompetitive behavior.

18. ***While U.S. agricultural policy involves lower levels of overall support than in many OECD countries, supplemental actions taken in recent years to alleviate financial***

difficulties faced by U.S. farmers in the context of declining world commodity prices have created perverse incentives in the U.S. farm sector and have had an adverse impact on producers in other countries. Reforms implemented in 1996 under the Federal Agriculture Improvement and Reform (FAIR) Act sought to move government assistance to the sector away from price supports and toward income support. The recent practice of providing supplemental assistance appears to have impeded and prolonged adjustment in the farm sector. In formulating the new farm act this year, the IMF staff recommends that the authorities return to the original goals of the FAIR Act and significantly reduce income support payments and resist pressures to extend support to a wider range of crops. Also, steps need to be taken to eliminate, or at least to substantially scale back, the crop loan program, which continues to distort production decisions.

19. ***ODA in recent years has remained at historically low levels of around 0.1 percent of GNP, compared to an average of 0.2 percent during the 1980s and early 1990s, and the FY2002 Budget does not envisage an increase.*** The IMF staff encourages the authorities to make further efforts to raise foreign assistance. At the same time, the IMF staff welcomes the support for the enhanced HIPC initiative, with U.S. commitments to the HIPC trust fund and bilateral debt-reduction initiatives likely to be in place in FY 2002.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

U.S. International Reserve Position 06/26/01

The Treasury Department today released U.S. reserve assets data for the week ending June 22, 2001. As indicated in this table, U.S. reserve assets totaled $64,706 million as of June 22, 2001, down from $65,044 million as of June 15, 2001.

in US millions)

. Official U.S. Reserve Assets		June 15, 2001			June 22, 2001		
	TOTAL	65,044			64,706		
. Foreign Currency Reserves [1]		Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities		5,171	10,718	15,889	5,147	10,607	15,755
Of which, issuer headquartered in the U.S.				0			0
b. Total deposits with:							
b.i. Other central banks and BIS		8,751	4,640	13,391	8,699	4,592	13,291
b.ii. Banks headquartered in the U.S.				0			0
b.ii. Of which, banks located abroad				0			0
b.iii. Banks headquartered outside the U.S.				0			0
b.iii. Of which, banks located in the U.S.				0			0
. IMF Reserve Position [2]				14,207			*14,146*
. Special Drawing Rights (SDRs) [2]				10,512			*10,467*
. Gold Stock [3]				11,046			11,046
. Other Reserve Assets				0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for June 15 are final. The entries in the table above for June 22 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2221 per fine troy ounce. Values shown are as of April 30, 2001. The March 31, 2001 value was $11,046 million.

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U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	June 15, 2001	June 22, 2001
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	June 15, 2001	June 22, 2001
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 9:00 A.M.
June 27, 2001

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Office of Public Affairs
202-622-2960

TREASURY ANNOUNCES DEBT BUYBACK OPERATION

On June 28, 2001, the Treasury will buy back up to $1,750 million par of its outstanding issues that mature between February 2019 and February 2023. Treasury reserves the right to accept less than the announced amount.

This debt buyback (redemption) operation will be conducted by Treasury's Fiscal Agent, the Federal Reserve Bank of New York, using its Open Market operations system. Only institutions that the Federal Reserve Bank of New York has approved to conduct Open Market transactions may submit offers on behalf of themselves and their customers. Offers at the highest accepted price for a particular issue may be accepted on a prorated basis, rounded up to the next $100,000. As a result of this rounding, the Treasury may buy back an amount slightly larger than the one announced above.

This debt buyback operation is governed by the terms and conditions set forth in 31 CFR Part 375 and this announcement.

The debt buyback operation regulations are available on the Bureau of the Public Debt's website at www.publicdebt.treas.gov.

Details about the operation and each of the eligible issues are given in the attached highlights.

oOo

Attachment

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HIGHLIGHTS OF TREASURY DEBT BUYBACK OPERATION

June 27, 2001

Par amount to be bought back ....Up to $1,750 million
Operation date ....June 28, 2001
Operation close time ....11:00 a.m. eastern daylight saving time
Settlement date ....July 2, 2001
Minimum par offer amount $100,000
Multiples of par $100,000
Format for offers ..... Expressed in terms of price per $100 of par with three decimals. The first two decimals represent fractional 32nds of a dollar. The third decimal represents eighths of a 32nd of a dollar, and must be a 0, 2, 4 or 6.
Delivery instructions ....ABA Number 021001208 FRB NYC/CUST

Treasury issues eligible for debt buyback operation (in millions):

Coupon Rate (%)	Maturity Date	CUSIP Number	Par Amount Outstanding*	Par Amount Privately Held*	Par Amount Held as STRIPS**
8.875	02/15/2019	912810 EC 8	15,085	12,712	5,806
8.125	08/15/2019	912810 ED 6	19,281	16,741	976
8.500	02/15/2020	912810 EE 4	9,888	8,402	2,266
8.750	05/15/2020	912810 EF 1	8,197	6,696	4,738
8.750	08/15/2020	912810 EG 9	18,166	15,623	9,216
7.875	02/15/2021	912810 EH 7	10,248	9,141	854
8.125	05/15/2021	912810 EJ 3	10,474	8,856	4,697
8.125	08/15/2021	912810 EK 0	10,173	8,515	1,313
8.000	11/15/2021	912810 EL 8	31,177	27,729	17,983
7.250	08/15/2022	912810 EM 6	10,238	9,277	837
7.625	11/15/2022	912810 EN 4	7,934	6,333	3,339
7.125	02/15/2023	912810 EP 9	16,899	14,264	6,206
		Total	167,760	144,289	58,231

* Par amounts are as of June 26, 2001.
** Par amounts are as of June 25, 2001.

The difference between the par amount outstanding and the par amount privately held is the par amount of those issues held by the Federal Reserve System.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
June 27, 2001

Contact: Tasia Scolinos
(202) 622-2960

ROBERT C. BONNER FORMALLY NOMINATED TO SERVE AS COMMISSIONER OF THE U.S. CUSTOMS SERVICE

On Tuesday, June 26th, the White House formally nominated Robert C. Bonner for the position of Commissioner of Customs at the Department of Treasury. Judge Bonner brings a wealth of experience to the Department of Treasury and the U.S. Customs Service. He is currently a partner in the Los Angeles office of Gibson, Dunn & Crutcher. He joined the firm after having served as a United States District Judge, the United States Attorney for the Central District of California, and as the Administrator of the Drug Enforcement Administration (DEA).

Judge Bonner is graduate of the University of Maryland and Georgetown Law School. After clerking for a U.S. District Judge, he served for three years on active duty in the United States Navy, Judge Advocate General's Corp. Following his years in the military, Judge Bonner spent four and one half years as an Assistant United States Attorney in Los Angeles before turning to private practice in 1975. In 1984, Judge Bonner returned to public service as the United States Attorney for the Central District of California (1984-1989). He was subsequently appointed to the United States District Court for the Central District of California by former President Bush in 1989 (1989-1990). Former President Bush went on to appoint him as Administrator of the Drug Enforcement Agency in 1993 (1990-1993).

Judge Bonner is a fellow of the American College of Trial Lawyers and a past president of the Federal Bar Association, Los Angeles Chapter. He was the Chairman of California's Commission on Judicial Performance, and is a member of the California and District of Columbia bars. He is on the Board of Directors of the Los Angeles Chamber of Commerce, and he recently served as co-chair of California Lawyers for Bush-Cheney.

Judge Bonner is a native of Wichita, Kansas. He and his wife of thirty-one years, Kimiko, currently live in Pasadena, California. They have one daughter, Justine.

PO-448

*U.S. Government Printing Office 1998 - 619-559

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED FOR DELIVERY
June 27, 2001

Contact: Tony Fratto
(202) 622-2960

EXCELLENCE AND THE INTERNATIONAL FINANCIAL INSTITUTIONS BY PAUL H. O'NEILL SECRETARY OF THE TREASURY TO THE ECONOMIC CLUB OF DETROIT DETROIT, MICHIGAN

Thank you for inviting me to speak to the Economic Club of Detroit. You are one of the premier venues for important economic discussion and I welcome this opportunity today to pull together in a more complete form some of the things I have been saying and acting on since I became Secretary of the Treasury last January.

Many of you know me from past business associations or from our work together in helping non-profit organizations. None of you will be surprised to know that I have brought my devotion to the idea of excellence to my new pursuits in the government. I am questioning every practice I encounter to see if there is a way to create more value for the American people who pay the bills. A companion part of this quest is to improve the sense of satisfaction for the people in the government who do the work.

My particular focus today is the International Financial Institutions. I will talk to you in the familiar terms of economics and process and public policy, but before I do that I want you to know that my passion for these subjects comes from forty years of traveling and working in the world – seeing first hand what it means for an individual human being to have a life without hope. Many of you have seen what I have – babies born in the dust, young children afflicted by diseases that are caused by the absence of clean water and sanitation, young adults who have no education. Putting an end to these conditions is why we need to care about the performance of the International Financial Institutions.

Since their inception the international financial institutions – the IMF, the World Bank and the regional development banks – have spent hundreds of billions of dollars to reduce poverty and address financial crises around the globe. The World Bank group alone has lent $470 billion since its inception, and $225 billion in just the last decade. Visit some of the poorest nations in the world, and you will see that we have too little to show for it. It's time for a new approach to eliminating poverty.

PO-449

Today, more than 1.2 billion people around the world live on less than $1 a day. In the United States, the average income is nearly $90 per day. Virtually all of those differences can be explained by differences in productivity. Poor countries are poor because productivity is low. And higher productivity translates directly into higher incomes. The best way to alleviate poverty is to increase people's incomes.

That is our challenge – raising productivity to raise living standards around the world. It's a challenge that we in the world's wealthiest and most innovative and optimistic nation should relish. The people of the world can achieve better living standards the way we have – through the constant improvement of and rewarding of skills and ideas.

To spread the principles that have made America prosperous, we must continue to promote more open trade around the world and we must focus the international financial institutions on nourishing the seeds of market economics.

Some doubt the ability of the international financial institutions to meet that challenge. I shared their concern, even before I became Treasury Secretary, that these institutions were too often associated with crisis conditions or failure. When respected elder statesmen and scholars call for closing down the IMF, it is clear that we have a major repair and restoration job before us.

I believe we can focus the vast knowledge in these institutions and help them to be effective in achieving world economic development. We have begun to engage the institutions and all of the other Nations that fund them, to encourage change, step-by-step. As we do so, we are holding up the banner of excellence. For us excellence means: the MDBs clearly associated with improving standards of living in the developing world based on productivity growth and, for the IMF, careful monitoring and prompt decisions before financial crisis conditions threaten economic order in the world.

The Multilateral Development Banks

The work of the development banks has been too diffuse. If we are to accomplish our goal of raising living standards around the world, we must focus intently and solely on projects that raise productivity.

So, here is our approach: In the case of each new loan, each new grant, each new project, each new program, we need to ask: "How is this flow of funds going to raise productivity or raise income per capita?"

How do you increase productivity growth? There are three elements to improving productivity: improvements in human knowledge, new and better physical capital, and ongoing entrepreneurial activity. The recent history of the U.S. makes clear how important improved education and capital are to individual entrepreneurs. One has only to look at the American farmer. As farmers learned new techniques and developed new machinery, farm output per unit of farm labor grew by more than eight times between 1948 and the 1990s. In contrast, agriculture value-added per worker in sub-Saharan Africa is *lower* now than it was 20 years ago.

Many of the poorest countries are primarily agricultural. It used to be thought that forcing the pace of industrialization was the path to progress. But putting huge uncompetitive industrial plants in poor countries had too little payoff in lives of the general population. Such policies disrupted lives and traditional communities as young men left their families and communities to stream into growing industrial cities. The social and health consequences are all too obvious and deplorable in all too many developing countries. And the huge state-owned industrial firms are now bankrupt or heavily subsidized by the toil of common people.

We now understand that investing in agriculture while creating the environment to diversify into competitive, privately owned manufacturing is the key to development. But there is still more to be done in focusing on productivity.

So how can the World Bank and other MDBs contribute to those three factors underlying productivity? First, expanding human skills and knowledge. One of the most fundamental things – call it a universal truth – is that education is inextricably linked to improving living standards. If you want to see higher rates of productivity growth, the people need knowledge and skills. So, I would like to see the MDBs place greater emphasis on education. President Bush has made education a top priority for the U.S. economy. It should be a top priority for Nations around the world. Over the past 5 years, education projects accounted for only 7 percent of total World Bank lending. That must change.

Second, productivity growth requires capital, so you need open trade and stable capital flows from abroad. But not all capital investment is equal. You need to make real products for real customers in competitive markets. As the MDBs provide investment assistance it is important that they take a "whole world" view, and not induce countries to invest in sectors that are already over-supplied.

Finally, the role of the entrepreneur is critical, and almost intangible. How do you invest in idea creation? If we knew that, we'd solve all the world's problems. We do know that some things are necessary, if not sufficient, to create an entrepreneurial environment. To spark innovation, you need the rule of law, enforceable contracts and a stable government process with a minimum amount of corruption. Without these, there is no reward to innovation – without assurance that you can own a new idea, who will bother?

We must insist that the MDBs reinforce these bedrocks of a market economy. We must establish as a precondition that we will not tolerate corruption. Poverty is not an excuse for corruption. It is not an excuse for not having the rule of law. Poverty is a symptom and it will only go away when these basic conditions for lasting growth are in place.

Within this strategy for setting priorities based on productivity enhancement, let me propose some specific ways to use taxpayer resources more effectively:

I think the World Bank and the other multilateral development banks should be clear about the instruments of assistance they use. When they give a nation money and call it a loan, then I think they should expect they are going to get their money back with interest. If their intent is not to get the interest and principal back, then they should call it a grant.

By misusing loans we've allowed many of the poorest nations to become so highly indebted that they cannot service the loans they already have, let alone more. We are making progress cleaning up those situations. They must never happen again. We teach a bad lesson to the recipients when we confuse loans with grants because the message is: obligations may not be real obligations.

I believe that the MDBs should adopt a bolder, more aggressive stance on the use of grants for the poorest countries. How can you make a loan for an already heavily indebted country to provide basic health and education services to its poorest people or to help fight HIV/AIDS and other infectious diseases? How will such economies generate the economic returns with which to pay back funds? Projects like these should be considered for grants, not loans.

As we become clear about the instruments of assistance, we also need to become more rigorous about measuring results. For example, in education it is clear that inputs – classrooms, teachers – are a secondary measure. What is really important is the product of education – an ability to read and write and compute at an appropriate level. When you have achieved that, you have achieved a critical milestone for the prospects of economic development. We need to be hard-minded and demanding that the inputs produce valuable outputs so that people in the developing world can achieve a standard of living that we know is attainable.

Graduation of Middle Income Countries. I believe that the MDBs should focus their resources first on countries that do not have access to private financial markets. As the financial conditions of individual countries improve, we should implement a system of loan rates that moves toward the private market interest rate. Then we would not confuse the assistance role of the banks from the point of view of competing with private enterprise.

Better Coordination. I also believe that the multilateral development banks can improve their coordination. More work is needed to bring greater consistency, simplicity and clarity where more than one institution is operating in a particular country. The MDBs need to do a better job of sharing ideas and lessons learned about what works and what does not work.

In addition, it is important that the assisting institutions put themselves in the shoes of the recipient countries as they impose conditions. Is it practical to assume that a President in a country without a well-developed government system can do all of the well-intentioned things we tell them they must do? If the answer is no, we need to reduce the number of things we insist on to those that are measurable and that we mean to enforce.

The International Monetary Fund

Like the World Bank, the IMF needs to focus on core objectives. The core objectives of the IMF are to (1) promote sound monetary, fiscal, exchange rate, and financial sector policies, (2) carefully monitor economic conditions, and (3) deal with critical problems in the international financial system as soon as they are detected. In the late 1990s, the IMF went well beyond these core objectives; putting too many conditions on some loans and putting too much money into some places in the face of dubious economic and political conditions.

Crisis Prevention. Having inherited a few international financial crises when I came into this job, I have spoken often about the need for better crisis prevention at the IMF. Crises strike when there is a failure to detect financial stresses or imbalances, or when there is a failure to make the necessary decisions to reduce the stresses and imbalances that have been detected. The problem in recent years has clearly been the latter. We simply must do better – and that is why I continue to return to this theme.

Conditionality. In our policy review work at Treasury, we have been arguing that conditionality can be substantially reduced, so that what is left is more enforceable, measurable, and purposeful and in the interest of the people in the recipient countries. For example, in the case of Indonesia, the IMF had a very long list of conditions, none of which were undesirable per se, but some of which went well beyond the IMF's core area of expertise. Some of these things were more properly in the province of people inside the country.

Moral Hazard and Contagion. Another thing that the IMF should strive for is a way to reduce so-called moral hazard. It is a fundamental truth that risk and reward must go hand in hand. Disassociating the two is a recipe for disaster. We need to figure out a way to let people who reap the high returns suffer the consequences of that risk without letting them off the hook with the taxpayers' money.

Understanding contagion will enable us to deal more effectively with this moral hazard problem. Frankly, I don't believe that we should accept the notion of contagion as something that God intended for us to have. I think we should work very hard to develop mechanisms to defeat contagion. If you look at Turkey, Argentina and Indonesia today, you would be very hard-pressed to make a case that they were closely related to each other. We should not accept the proposition that a weakening financial condition in one difficult place inevitably creates a chain reaction of investors withdrawing from other markets.

Exaggerating the possibility of contagion leads to too-frequent intervention because, in effect, we convince ourselves we don't have a choice. That is to say, if we don't act, the consequences will be multiplied in a world-wide rout of the financial system. Making money available on this theory, we promote the idea that we will intervene everywhere on the spur of the moment in order to protect ourselves against the consequences of one nation losing its financial footing.

If we can solve the problem of contagion, we can deal in a much more forthright and forceful way with individual countries and investors. If we do not have to worry about contagion, it is going to be a lot easier to say "you brought this situation on yourself in spite of the best possible advice and we are not going to bail you out."

Recent Financial Crisis

How do we make these institutional changes? Clearly, we don't just stop everything and start over. In the case of Turkey, for example, we inherited a crisis and a set of expectations surrounding that crisis. We could not start from scratch. Nonetheless, the steps we took represent the beginning of a different pathway for the future.

We stressed several principles in our dealings with Turkey. First, we did not provide additional bilateral financial assistance to Turkey. Rather, we said that the IMF should be the instrument of choice when there is a need to deal with financial instability or crisis conditions. In general we should not become engaged in bilateral assistance on top of, or in lieu of, appropriate intervention by the IMF. Since IMF resources are limited – and this is very important – this decision was a statement that there are indeed limits on what the official sector will do in such situations.

Second, we stressed the importance of prior actions with a firm commitment from the top political leadership. We feel that a forthright, on the record, very clear position of ownership of the changes that are going to be made should be a condition for the receipt of assistance; and that is what the Turkish government agreed to do. Going forward, Turkey's success will depend on that government following through on its commitment. Modifying the practices and expectations of the past in dealing with such situations will take time, but we have begun to do so.

Conclusion

Next week I will be meeting in Rome with my partners in the G-7, as well as with the Heads of the Multilateral Development Banks. I look forward to this meeting as an opportunity to move forward on the priorities that I have described to you today.

Thank you.

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 27, 2001

Contact: Public Affairs
(202) 622-2960

STATEMENT BY TREASURY SECRETARY PAUL H. O'NEILL

The Administration respects the independence of the Federal Reserve in making decisions about our nation's monetary policy. We share the Federal Reserve's goals of maintaining healthy economic growth while preserving low inflation.

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PO-450

*U.S. Government Printing Office 1998 - 619-559

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 27, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Interest Rate:	3 7/8%	Issue Date:	July 02, 2001
Series:	R-2003	Dated Date:	June 30, 2001
CUSIP No:	9128276Z0	Maturity Date:	June 30, 2003

High Yield: 3.990% Price: 99.781

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 74.43%. All tenders at lower yields were accepted in full.

Accrued interest of $ 0.21060 per $1,000 must be paid for the period from June 30, 2001 to July 02, 2001.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 23,793,170	$ 9,900,018
Noncompetitive	1,100,061	1,100,061
SUBTOTAL	24,893,231	11,000,079 1/
Federal Reserve	3,666,667	3,666,667
TOTAL	$ 28,559,898	$ 14,666,746

Median yield 3.968%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 3.900%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

BID-TO-COVER RATIO = 24,893,231 / 11,000,079 = 2.26
NO FIMA NONCOMPETITIVE BIDS WERE TENDERED IN TODAY'S AUCTION. THE STRIPS MINIMUM IS $1,000.

1/ Awards to TREASURY DIRECT = $901,515,000

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 28, 2001

Contact: Public Affairs
(202) 622-2960

PRESIDENT BUSH NOMINATES ROSARIO MARIN TO SERVE AS UNITED STATES TREASURER

President Bush has formally nominated Rosario Marin to be the next Treasurer of the United States in the Department of the Treasury.

A current Councilwoman and a former Mayor of the City of Huntington Park, Rosario Marin was first elected to the city council in 1994. In March of 1999, Ms. Marin was overwhelmingly re-elected to the city with a population of 85,000 of which 99% are Latinos. In addition, Ms. Marin concurrently works for AT&T as Public Relations Manager for the Hispanic Market in the Southern California Region.

Previously, she was with the Office of Governor Pete Wilson in Los Angeles, California as the Deputy Director of the Governor's Office of Community Relations and prior to that served as the Assistant Deputy Director of California State Department of Social Services. In addition, Ms. Marin also served as the Chair of the State Council on Developmental Disabilities and previously was the Chief of Legislative Affairs for the Department of Developmental Services.

If confirmed, Rosario Marin would become the 41st Treasurer of the United States – an office older than the Treasury Department itself. She would have responsibility for oversight of the Bureau of Engraving and Printing, the United States Mint, and the Savings Bond Marketing Office within the Bureau of the Public Debt.

A graduate of California State University in Los Angeles, she also graduated from Harvard University's John F. Kennedy School of Government Program for Senior Executives in State and Local Government.

A recipient of numerous awards, she is only the second recipient of the distinguished Rose Fitzgerald Kennedy Prize on June 1995 at the United Nations. Most recently, Ms. Marin was honored by being the only public elected official to receive the Excellence in Public Service Award at the 2000 Latino Perspectives Conference in Sacramento. In addition, she was one of two elected officials to be featured on the "20 Up and Coming Latinas" in the *Los Angeles Business Journal*, February 2000 issue.

PO-452

Ms. Marin has been appointed to numerous commissions and boards. They include: California Film Commissioner; Member of Special Olympics International Board of Directors; Former Vice President and current member of Latino Caucus of the League of CA Cities; President of Mayors and Councils Department of the League of California Cities; Member of Public Safety Policy Committee of the League of California Cities; Board Member of Minority Organ Tissue Transplant Education Project; Membership Committee Member of the National Association of Latino Elected Officials; Board Member of HOPE (Hispanas Organized for Political Equality); and Former Chair and current member of Southeast Community Development Corporation.

Councilwoman Marin and her husband Alex Marin of 19 years have three children: Eric, 15; Carmen, 11; and Alex, 9.

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Councilwoman Marin and her husband Alex Marin of 19 years have three children: Eric, 15; Carmen, 11; and Alex, 9.

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TREASURY NEWS

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FOR IMMEDIATE RELEASE
June 28, 2001

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Office of Public Affairs
202-622-2960

TREASURY DEBT BUYBACK OPERATION RESULTS

Today, Treasury completed a debt buyback (redemption) operation for $1,750 million par of its outstanding issues. A total of 12 issues maturing between February 2019 and February 2023 were eligible for this operation. The settlement date for this operation will be July 2, 2001. Summary results of this operation are presented below.

(amounts in millions)

Offers Received (Par Amount):	$7,643
Offers Accepted (Par Amount):	1,750
Total Price Paid for Issues (Less Accrued Interest):	2,258
Number of Issues Eligible:	
For Operation:	12
For Which Offers were Accepted:	11
Weighted Average Yield of all Accepted Offers (%):	5.726
Weighted Average Maturity for all Accepted Securities (in years):	19.5

Details for each issue accompany this release.

PO-453

June 28, 2001

TREASURY DEBT BUYBACK OPERATION RESULTS

(amounts in millions, prices in decimals)

Table I

Coupon Rate (%)	Maturity Date	Par Amount Offered	Par Amount Accepted	Highest Accepted Price	Weighted Average Accepted Price
8.875	02/15/2019	1,252	252	135.015	134.976
8.125	08/15/2019	1,156	185	126.953	126.911
8.500	02/15/2020	641	80	131.593	131.578
8.750	05/15/2020	468	130	134.718	134.711
8.750	08/15/2020	864	231	134.937	134.930
7.875	02/15/2021	276	30	125.000	124.954
8.125	05/15/2021	565	230	128.156	128.154
8.125	08/15/2021	346	56	128.312	128.297
8.000	11/15/2021	914	280	127.000	126.981
7.250	08/15/2022	200	0	N/A	N/A
7.625	11/15/2022	390	150	123.000	122.979
7.125	02/15/2023	571	126	116.906	116.903

Table II

Coupon Rate (%)	Maturity Date	CUSIP Number	Lowest Accepted Yield	Weighted Average Accepted Yield	Par Amount Privately Held*
8.875	02/15/2019	912810EC8	5.699	5.702	12,460
8.125	08/15/2019	912810ED6	5.716	5.719	16,556
8.500	02/15/2020	912810EE4	5.720	5.721	8,322
8.750	05/15/2020	912810EF1	5.718	5.718	6,566
8.750	08/15/2020	912810EG9	5.720	5.721	15,392
7.875	02/15/2021	912810EH7	5.735	5.738	9,111
8.125	05/15/2021	912810EJ3	5.732	5.732	8,626
8.125	08/15/2021	912810EK0	5.735	5.736	8,459
8.000	11/15/2021	912810EL8	5.735	5.736	27,449
7.250	08/15/2022	912810EM6	N/A	N/A	9,277
7.625	11/15/2022	912810EN4	5.742	5.743	6,183
7.125	02/15/2023	912810EP9	5.748	5.748	14,138

Total Par Amount Offered: 7,643

Total Par Amount Accepted: 1,750

Note: Due to rounding, details may not add to totals.

*Amount outstanding after operation. Calculated using amounts reported on announcement.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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For Immediate Release
June 28, 2001

Contact: Tara Bradshaw
(202) 622-2960

TREASURY ANNOUNCES EFFECTIVE DATES OF SLOVENIA INCOME TAX TREATY

The Treasury Department today announced that the bilateral income tax treaty with Slovenia entered into force on June 22, 2001, upon the exchange of instruments of ratification in Washington. The treaty, to which the U.S. Senate gave advice and consent to ratification in 1999, represents a new treaty relationship for the United States.

The treaty applies, with respect to taxes withheld at source, in respect of amounts paid or credited on or after September 1, 2001, and, with regard to other taxes, in respect of taxable years beginning on or after January 1, 2002.

-30-

PO-454

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
June 28, 2001

Contact: Office of Financing
202/691-3550

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $13,000 million of 9-day Treasury cash management bills to be issued July 3, 2001. The noncompetitive and competitive closing time will be 11:30 a.m. eastern daylight saving time.

Tenders will not be accepted for bills to be maintained on the book-entry records of the Department of the Treasury (*TreasuryDirect*).

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of the auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

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. The allocation percentage applied to bids at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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

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.

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Attachment

PO-455

HIGHLIGHTS OF TREASURY OFFERING
OF 9-DAY CASH MANAGEMENT BILLS

June 28, 2001

Offering Amount .... $13,000 million
Public Offering .... Offering amount less the amount awarded for FIMA accounts

Description of Offering:
term and type of security .... 9-day Cash Management Bill
CUSIP number .... 912795 HC 8
Auction date .... July 2, 2001
issue date .... July 3, 2001
Maturity date .... July 12, 2001
Original issue date .... January 11, 2001
currently outstanding .... $29,963 million
Minimum bid amount and multiples ... $1,000

Submission of Bids:
Noncompetitive bids: Accepted in full up to $1 million at the highest discount rate of accepted competitive bids.
Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.
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 Rate: 35% of public offering
Maximum Award: 35% of public offering

Receipt of Tenders:
Noncompetitive tenders:
Prior to 11:30 a.m. eastern daylight saving time on auction day
competitive tenders:
Prior to 11:30 a.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.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
June 28, 2001

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 $27,000 million to refund $19,521 million of publicly held bills maturing July 5, 2001, and to raise about $7,479 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $10,508 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of each auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers have requested that we reinvest their maturing holdings of approximately $964 million into the 13-week bill and $1,150 million into the 26-week bill.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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

PO-456

June 28, 2001

	91-day bill	182-day bill
Offering Amount	$15,000 million	$12,000 million
Public Offering	Offering amount less the amount awarded for FIMA accounts	

Description of Offering:

Term and type of security	91-day bill	182-day bill
CUSIP number	912795 HR 5	912795 JA 0
Auction date	July 2, 2001	July 2, 2001
Issue date	July 5, 2001	July 5, 2001
Maturity date	October 4, 2001	January 3, 2002
Original issue date	April 5, 2001	July 5, 2001
Currently outstanding	$12,312 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 million at the highest discount rate of accepted competitive bids.

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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 Rate .... 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

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

June 29, 2001

Contact: Public Affairs
(202) 622-2960

MEDIA ADVISORY

Treasury Secretary Paul H. O'Neill will hold a pre G-7 press conference at 11:00 a.m. EDT on Thursday, July 5, 2001 in the Treasury Department's Diplomatic Reception Room (Room 3311), 1500 Pennsylvania Ave. NW.

The Room will be available for pre-set at 10:00 a.m. EDT.

Media without Treasury or White House press credentials planning to attend should contact Treasury's Office of Public Affairs at (202-622-2960), by close of business Tuesday, July 3, 2001, with the following information: name, social security number and date of birth. This information may also be faxed to (202) 622-1999.

-30-

PO-457

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNITL 2:30 P.M. EDT
June 29, 2001

Contact: Tara Bradshaw
(202) 622-2960

TREASURY SECRETARY PAUL O'NEILL STATEMENT ON JULY 1ST DROP IN WITHHOLDING RATES

Treasury Secretary Paul O'Neill made the following remarks at an event celebrating the drop in the income tax withholding rates:

"Just about everyone across America knows by now that on July 23rd taxpayers will start receiving checks from the federal government, as payments for the retroactive reduction of a portion of the 15% tax rate bracket to 10%.

"But there's another important July date that taxpayers also have cause to celebrate. On July 1st, for the first time since Reagan was President, income tax rates will drop for America's taxpayers. New withholding tables go into effect, reflecting rate cuts that will let nearly 55 million taxpayers keep more of their own money.

"Cutting income tax rates is the strongest fiscal policy stimulus for our economy. And it is happening exactly when the economy needs it, because President Bush worked with the Congress to achieve quick action on his tax relief plan. I am delighted that this weekend the first phase of long-term, across the board tax relief for hardworking American families becomes a reality."

-30-

PO-458

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
July 02, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 9-DAY BILLS

Term:	9-Day Bill
Issue Date:	July 03, 2001
Maturity Date:	July 12, 2001
CUSIP Number:	912795HC8

High Rate: 3.75 % Investment Rate 1/: 3.82 % Price: 99.906

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 78.01%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 40,000,000	$ 13,000,103
Noncompetitive	0	0
TOTAL	$ 40,000,000	$ 13,000,103

Median rate 3.73 %: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.65 %: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

BID-TO-COVER RATIO = 40,000,000 / 13,000,103 = 3.08
NO FIMA NONCOMPETITIVE BIDS WERE TENDERED IN TODAY'S AUCTION.

/ Equivalent coupon-issue yield.

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
July 02, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	July 05, 2001
Maturity Date:	October 04, 2001
CUSIP Number:	912795HR5

High Rate: 3.580% Investment Rate 1/: 3.663% Price: 99.095

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 66.17%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 22,117,966	$ 13,521,471
Noncompetitive	1,323,630	1,323,630
FIMA (noncompetitive)	155,000	155,000
SUBTOTAL	23,596,596	15,000,101 2/
Federal Reserve	5,429,064	5,429,064
TOTAL	$ 29,025,660	$ 20,429,165

Median rate 3.550%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.520%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 23,596,596 / 15,000,101 = 1.57

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,041,864,000

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
July 02, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	July 05, 2001
Maturity Date:	January 03, 2002
CUSIP Number:	912795JA0

High Rate: 3.500% Investment Rate 1/: 3.612% Price: 98.231

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 64.81%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 18,862,727	$ 10,377,407
Noncompetitive	1,572,853	1,572,853
FIMA (noncompetitive)	50,000	50,000
SUBTOTAL	20,485,580	12,000,260 2/
Federal Reserve	5,079,096	5,079,096
TOTAL	$ 25,564,676	$ 17,079,356

Median rate 3.470%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.430%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 20,485,580 / 12,000,260 = 1.71

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,212,911,000

http://www.publicdebt.treas.gov

PO-461

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
July 2, 2001

Contact: Tasia Scolinos
(202)622-1996

THE DEPARTMENT OF TREASURY RESPONDS TO FATF MONEY LAUNDERING REPORT

Today the Treasury Department's Financial Crimes Enforcement Network (FinCEN) updated its advice to U.S. banks and financial institutions following the recent FATF announcement that The Bahamas, the Cayman Islands, Liechtenstein, and Panama have implemented significant legal reforms to combat money laundering.

In conjunction with a review of FATF's findings, and following technical assistance provided by FinCEN to these countries, FinCEN informed banks and other financial institutions that these four countries now have counter-money laundering regimes that generally comply with international standards. The Treasury Department expects that these countries will continue to take the necessary steps to implement their reforms and will continue to cooperate in the global fight against money laundering.

Additionally, FinCEN will be assessing appropriate guidance for financial institutions with respect to the six countries that were added to the FATF list of "non-cooperative" countries: Burma, Egypt, Guatemala, Hungary, Indonesia, and Nigeria.

The FinCEN advisories will remain in force for the following countries, which also remain on FATF's non-cooperation list: Cook Islands, Dominica, Israel, Lebanon, Marshall Islands, Nauru, Niue, the Philippines, Russia, St. Kitts & Nevis, and St. Vincent & the Grenadines. United States officials stand ready to provide appropriate technical assistance to these jurisdictions as they work to remedy the deficiencies in their counter-money laundering systems.

Copies of the advisories can be found on the FinCEN web site: www.ustreas.gov/fincen. See in particular Advisories 9+12 regarding the BMPE and Colon Free Zone in reference to Panama. Additional information can also be found on the FATF web site: www.oecd.org/fatf.

-30-

PO-462

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

U.S. International Reserve Position 07/03/01

The Treasury Department today released U.S. reserve assets data for the week ending June 29, 2001. As indicated in this table, U.S. reserve assets totaled $64,355 million as of June 29, 2001, down from $64,629 million as of June 22, 2001.

ı US millions)

Official U.S. Reserve Assets	June 22, 2001			June 29, 2001		
TOTAL	64,629			64,355		
Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	5,147	10,607	15,755	5,085	10,566	15,651
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	8,699	4,592	13,291	8,609	4,575	13,184
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
IMF Reserve Position [2]			14,102			*14,067*
Special Drawing Rights (SDRs) [2]			10,435			*10,409*
Gold Stock [3]			11,046			11,044
Other Reserve Assets			0			0

Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account ;OMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and ɜposits reflect carrying values.

The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in ıllar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for June 22 are final. The entries in the table above ؛ June 29 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of May 31, 2001. The April 30, 2001 value was 1,046 million.

O-463

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets

	June 22, 2001	June 29, 2001
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

II. Contingent Short-Term Net Drains on Foreign Currency Assets

	June 22, 2001	June 29, 2001
. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
'. Foreign currency securities with embedded options	0	0
;. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

I also plan to give our support to the Financial Action Task Force work on money laundering. Progress has already been made by several of the nations identified by the FATF, and I'm optimistic that the FATF process will generate further improvements. I am pleased to report that on another element of the financial abuse agenda--the OECD harmful tax practices initiative--we have made substantial progress in focusing the initiative on its core element of information exchange.

Ministers will want to touch on a number of issues in preparation for talks among the Heads of State – notably progress in providing debt relief and the need to move beyond debt relief in promoting economic and productivity growth in the poorest countries. Finally, my colleagues and I will meet with Russian Finance Minister Kudrin and discuss recent progress in Russia on market-oriented economic reforms and the creation of a more favorable investment climate.

-30-

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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.
July 5, 2001

CONTACT: Office of Financing
202/691-3550

TREASURY TO AUCTION $5,000 MILLION OF 9-1/2-YEAR 3-1/2% INFLATION-INDEXED NOTES

The Treasury will auction $5,000 million of 9-1/2-year 3-1/2% inflation-indexed notes to raise cash.

Amounts bid by Federal Reserve Banks for their own accounts will be added to the offering.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of the auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

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 allocation percentage applied to bids awarded at the highest yield will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

NOTE: The net long position reporting threshold amount for this 9-1/2-year inflation-indexed note is $1 billion.

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

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

PO-465

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF
9-1/2-YEAR INFLATION-INDEXED NOTES TO BE ISSUED JULY 16, 2001

July 5, 2001

Offering Amount ....$5,000 million
Public Offering ....Offering amount less the amount awarded for FIMA accounts

Description of Offering:
Term and type of security ....9-1/2-year inflation-indexed notes (reopening)
Series A-2011
CUSIP number 912827 6R 8
Auction date ....July 11, 2001
Issue date ....July 16, 2001
Dated date ....January 15, 2001
Maturity date ....January 15, 2011
Interest rate 3-1/2%
Amount originally issued ....$6,001 million
Adjusted amount currently outstanding ....$6,103 million
Real yield ....Determined at auction
Interest payment dates ....January 15 and July 15
Minimum bid amount and multiples $1,000
Accrued interest ....$0.09511 per $1,000 (from July 15 to July 16, 2001)
Adjusted accrued interest payable by investor...... $0.09688 per $1,000
Premium or discount ....Determined at auction

STRIPS Information:
Minimum amount required $1,000
Corpus CUSIP number ....912820 GA 9
TIIN conversion factor per $1,000 ....10.054861623

Submission of Bids:
Noncompetitive bids: Accepted in full up to $5 million at the highest accepted yield.
Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.
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 $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.

Indexing Information: CPI Base Reference Period 1982-1984
Ref CPI 01/15/2001 ....174.04516
Ref CPI 07/16/2001 ....177.28710
Index Ratio 07/16/2001 ....1.01863

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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BARGOED UNTIL 2:30 P.M.
ly 5, 2001

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 proximately $27,000 million to refund $19,478 million of publicly held lls maturing July 12, 2001, and to raise about $7,522 million of new cash. e amount of maturing publicly held bills includes the 9-day cash management lls issued July 3, 2001, in the amount of $13,000 million.

In addition to the public holdings, Federal Reserve Banks for their own counts hold $10,485 million of the maturing bills, which may be refunded at e highest discount rate of accepted competitive tenders. Amounts awarded these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and Inter-tional Monetary Authority (FIMA) accounts bidding through the Federal serve Bank of New York will be included within the offering amount of each ction. These noncompetitive bids will have a limit of $200 million per count and will be accepted in the order of smallest to largest, up to the gregate award limit of $1,000 million.

TreasuryDirect customers have requested that we reinvest their maturing ldings of approximately $1,015 million into the 13-week bill and $862 llion into the 26-week bill.

The allocation percentage applied to bids awarded at the highest discount te will be rounded up to the next hundredth of a whole percentage point, g., 17.13%.

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

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

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tachment

-466

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED JULY 12, 2001

July 5, 2001

Offering Amount	$15,000 million	$12,000 million
Public Offering	Offering amount less the amount awarded for FIMA accounts	

Description of Offering:

Term and type of security	91-day bill	182-day bill
CUSIP number	912795 GS 4	912795 JB 8
Auction date	July 9, 2001	July 9, 2001
Issue date	July 12, 2001	July 12, 2001
Maturity date	October 11, 2001	January 10, 2002
Original issue date	April 12, 2001	July 12, 2001
Currently outstanding	$12,314 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 million at the highest discount rate of accepted competitive bids.

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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 Rate .... 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
July 6, 2001

Contact: Peter Hollenbach
(202) 691-3502

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR JUNE 2001

The Bureau of the Public Debt announced activity for the month of June 2001, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$2,082,447,159
Held in Unstripped Form	$1,907,763,861
Held in Stripped Form	$174,683,298
Reconstituted in June	$19,154,356

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 V 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 site at: **www.publicdebt.treas.gov**. A wide range of information about the public debt and Treasury securities is also available at the site.

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PO-467

TABLE V - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, JUNE 30, 2001

Loan Description			Corpus STRIP CUSIP	Maturity Date	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	4,679,406	3,622,400	81,600
DQ8		12	AD5	05/15/05	4,260,758	1,892,608	2,368,150	0
DR6		10-3/4	AG8	08/15/05	9,269,713	5,851,413	3,418,300	101,600
DU9		9-3/8	AJ2	02/15/06	4,755,916	4,651,468	104,448	29,480
DN5		11-3/4	912800 AA7	11/15/14	6,005,584	2,195,184	3,810,400	148,800
DP0		11-1/4	912803 AA1	02/15/15	11,085,799	7,326,884	3,758,915	1,476,080
DS4		10-5/8	AC7	08/15/15	4,390,916	3,066,703	1,324,213	716,240
DT2		9-7/8	AE3	11/15/15	5,666,859	3,036,249	2,630,610	235,600
DV7		9-1/4	AF0	02/15/16	5,811,754	5,260,164	551,590	182,000
DW5		7-1/4	AH6	05/15/16	18,823,551	18,523,923	299,628	273,600
DX3		7-1/2	AK9	11/15/16	18,824,448	17,444,288	1,380,160	146,800
DY1		8-3/4	AL7	05/15/17	16,241,669	8,738,284	7,503,385	1,118,735
DZ8		8-7/8	AM5	08/15/17	12,031,358	9,318,577	2,712,781	358,800
EA2		9-1/8	AN3	05/15/18	7,072,439	2,926,039	4,146,400	286,400
EB0		9	AP8	11/15/18	7,614,470	3,720,270	3,894,200	300,800
EC8		8-7/8	AQ6	02/15/19	15,084,798	9,510,698	5,574,100	769,600
ED6		8-1/8	AR4	08/15/19	19,280,932	18,271,645	1,009,287	472,033
EE4		8-1/2	AS2	02/15/20	9,888,268	7,652,220	2,236,048	147,200
EF1		8-3/4	AT0	05/15/20	8,197,183	3,533,303	4,663,880	304,600
EG9		8-3/4	AU7	08/15/20	18,166,306	9,009,586	9,156,720	1,093,760
EH7		7-7/8	AV5	02/15/21	10,247,573	9,350,773	896,800	316,000
EJ3		8-1/8	AW3	05/15/21	10,473,788	5,985,973	4,487,815	614,545
EK0		8-1/8	AX1	08/15/21	10,173,482	8,930,254	1,243,228	405,440
EL8		8	AY9	11/15/21	31,177,194	13,557,179	17,620,015	2,784,775
EM6		7-1/4	AZ6	08/15/22	10,237,790	9,385,391	852,399	199,200
EN4		7-5/8	BA0	11/15/22	7,933,626	4,723,776	3,209,850	617,600
EP9		7-1/8	BB8	02/15/23	16,899,061	10,795,861	6,103,200	899,200
EQ7		6-1/4	BC6	08/15/23	22,659,044	19,228,164	3,430,880	123,680
ES3		7-1/2	BD4	11/15/24	9,704,162	3,412,482	6,291,680	205,120
ET1		7-5/8	BE2	02/15/25	10,634,170	3,833,019	6,801,151	412,800
EV6		6-7/8	BF9	08/15/25	11,695,207	7,614,800	4,080,407	210,880
EW4		6	BG7	02/15/26	12,837,916	11,156,616	1,681,300	111,900
EX2		6-3/4	BH5	08/15/26	10,018,418	7,088,218	2,930,200	350,800
EY0		6-1/2	BJ1	11/15/26	11,168,177	6,748,277	4,419,900	578,400
EZ7		6-5/8	BK8	02/15/27	10,210,971	7,050,971	3,160,000	323,200
FA1		6-3/8	BL6	08/15/27	10,015,756	7,785,756	2,230,000	70,400
FB9		6-1/8	BM4	11/15/27	22,046,339	13,412,739	8,633,600	1,226,600
FE3		5-1/2	BP7	08/15/28	11,776,201	11,188,201	588,000	235,600
FF0		5-1/4	BV4	11/15/28	10,947,052	10,446,452	500,600	41,600
FG8		5-1/4	BW2	02/15/29	11,350,341	10,992,741	357,600	6,400
FJ2		6-1/8	CG6	08/15/29	11,178,580	11,012,380	166,200	107,200
FM5		6-1/4	CH4	05/15/30	17,043,162	16,955,754	87,408	82,600
FP8		5-3/8	CK7	02/15/31	10,886,993	10,784,593	102,400	0
Total Treasury Bonds					512,089,530	368,049,282	144,040,248	18,167,668
Treasury Inflation-Indexed Notes:								
CUSIP:	Series:	Interest Rate:						
912827 3A8	J	3-5/8	912820 BZ9	07/15/02	18,573,256	18,573,256	0	0
2M3	A	3-3/8	BV8	01/15/07	17,592,199	17,592,199	0	0
3T7	A	3-5/8	CL9	01/15/08	18,405,957	18,296,473	109,484	0
4Y5	A	3-7/8	DN4	01/15/09	17,151,053	17,151,053	0	0
5W8	A	4-1/4	EK9	01/15/10	11,901,728	11,901,728	0	0
6R8	A	3-1/2	GA9	01/15/11	6,098,733	6,098,733	0	0
Total Inflation-Indexed Notes					89,722,927	89,613,443	109,484	0
Treasury Inflation-Indexed Bonds:								
CUSIP:		Interest Rate:						
912810 FD5		3-5/8	912803 BN2	04/15/28	18,381,583	18,381,583	0	0
FH6		3-7/8	CF8	04/15/29	21,219,801	21,085,308	134,493	0
Total Inflation-Indexed Bonds					39,601,384	39,466,892	134,493	0

TABLE V - HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, JUNE 30, 2001 -- Continued

Loan Description			Corpus STRIP CUSIP	Maturity Date	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 Y71	L	6-5/8	912820 FF9	07/31/01	14,136,833	14,136,833	0	0
5L2	AB	5-1/2	DY0	07/31/01	20,541,318	20,083,318	458,000	0
692	C	7-7/8	BB2	08/15/01	12,339,185	7,244,185	5,095,000	38,400
Z39	M	6-1/2	FG7	08/31/01	14,000,224	13,986,624	13,600	0
5P3	AC	5-1/2	EB9	08/31/01	20,118,595	20,118,595	0	0
Z54	N	6-3/8	FH5	09/30/01	14,518,514	14,480,114	38,400	0
5Q1	AD	5-5/8	EC7	09/30/01	18,797,828	18,297,028	500,800	0
Z88	P	6-1/4	FJ1	10/31/01	14,639,843	14,639,843	0	0
5R9	AE	5-7/8	ED5	10/31/01	19,196,002	19,194,402	1,600	0
D25	D	7-1/2	BC0	11/15/01	24,226,102	19,006,602	5,219,500	130,000
2C5	Q	5-7/8	EG8	11/30/01	33,504,627	33,499,827	4,800	0
2E1	R	6-1/8	EJ2	12/31/01	31,166,321	31,081,521	84,800	0
2G6	C	6-1/4	FK8	01/31/02	13,453,346	13,398,338	55,008	0
5X6	R	6-3/8	EL7	01/31/02	19,381,251	19,381,251	0	0
2L5	D	6-1/4	FL6	02/28/02	13,799,902	13,799,902	0	0
6A5	S	6-1/2	EN3	02/28/02	16,563,375	16,529,875	33,500	0
2P6	E	6-5/8	FM4	03/31/02	14,301,310	14,278,910	22,400	0
6B3	T	6-1/2	EP8	03/31/02	17,237,943	17,234,743	3,200	0
2S0	F	6-5/8	FN2	04/30/02	14,474,673	14,474,673	0	0
6C1	U	6-3/8	EQ6	04/30/02	17,390,900	17,390,900	0	0
F49	A	7-1/2	BD8	05/15/02	11,714,397	7,718,237	3,996,160	33,520
2W1	G	6-1/2	FP7	05/31/02	13,503,890	13,503,890	0	0
6E7	V	6-5/8	ES2	05/31/02	14,871,823	14,849,423	22,400	0
2Y7	H	6-1/4	FQ5	06/30/02	13,058,694	13,058,694	0	0
6F4	W	6-3/8	ET0	06/30/02	14,320,609	14,318,609	2,000	0
3C4	K	6	FR3	07/31/02	12,231,057	12,231,057	0	0
6H0	X	6-1/4	EU7	07/31/02	15,057,900	15,057,900	0	0
G55	B	6-3/8	BE6	08/15/02	23,859,015	20,506,753	3,352,262	500,800
3G5	L	6-1/4	FS1	08/31/02	12,731,742	12,731,742	0	0
6K3	Y	6-1/8	FU6	08/31/02	15,072,214	15,072,214	0	0
3J9	M	5-7/8	CC9	09/30/02	12,806,814	12,768,414	38,400	0
6L1	Z	6	FV4	09/30/02	15,144,335	15,144,335	0	0
3L4	N	5-3/4	CE5	10/31/02	26,593,892	26,534,692	59,200	0
3Q3	P	5-3/4	CH8	11/30/02	12,120,580	11,826,980	293,600	500
6P2	AC	5-5/8	FY8	11/30/02	15,058,528	14,990,688	67,840	0
3S9	Q	5-5/8	CK1	12/31/02	12,052,433	11,667,793	384,640	0
6Q0	AD	5-1/8	FZ5	12/31/02	14,822,027	14,822,027	0	0
3V2	C	5-1/2	CN5	01/31/03	13,100,640	13,100,640	0	0
6S6	L	4-3/4	GB7	01/31/03	15,452,604	15,452,604	0	0
J78	A	6-1/4	BF3	02/15/03	23,562,691	22,350,667	1,212,024	7,488
3Z3	D	5-1/2	CS4	02/28/03	13,670,354	13,626,354	44,000	0
6U1	M	4-5/8	GD3	02/28/03	14,685,095	14,685,095	0	0
4B5	E	5-1/2	CU9	03/31/03	14,172,892	14,172,092	800	0
6V9	N	4-1/4	GE1	03/31/03	14,674,853	14,674,853	0	0
4D1	F	5-3/4	CW5	04/30/03	12,573,248	12,573,248	0	0
6W7	P	4	GF8	04/30/03	13,338,528	13,338,528	0	0
4H2	G	5-1/2	DA2	05/31/03	13,132,243	13,103,843	28,400	0
6Y3	Q	4-1/4	GH4	05/31/03	13,331,937	13,331,937	0	0
4K5	H	5-3/8	DC8	06/30/03	13,126,779	13,125,059	1,720	0
L83	B	5-3/4	BG1	08/15/03	28,011,028	25,834,828	2,176,200	16,000
4N9	J	5-1/4	DE4	08/15/03	19,852,263	19,680,263	172,000	4,900
4U3	K	4-1/4	DJ3	11/15/03	18,625,785	17,604,085	1,021,700	0
N81	A	5-7/8	BH9	02/15/04	12,955,077	12,442,077	513,000	25,600
5A6	E	4-3/4	DQ7	02/15/04	17,823,228	17,799,228	24,000	0
P89	B	7-1/4	BJ5	05/15/04	14,440,372	13,779,572	660,800	1,600
5F5	F	5-1/4	DU8	05/15/04	18,925,383	18,925,383	0	0
Q88	C	7-1/4	BK2	08/15/04	13,346,467	11,643,267	1,703,200	41,600
5M0	G	6	DZ7	08/15/04	18,089,806	18,089,806	0	0
R87	D	7-7/8	BL0	11/15/04	14,373,760	14,368,960	4,800	0
5S7	H	5-7/8	EE3	11/15/04	32,658,145	32,658,145	0	0
S86	A	7-1/2	BM8	02/15/05	13,834,754	13,246,594	588,160	23,200
T85	B	6-1/2	BN6	05/15/05	14,739,504	14,739,104	400	0
6D9	E	6-3/4	ER4	05/15/05	28,562,370	28,562,370	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	14,836,680	373,240	14,800
6N7	F	5-3/4	FX0	11/15/05	28,062,797	28,025,997	36,800	1,600
W81	A	5-5/8	BR7	02/15/06	15,513,587	15,492,107	21,480	0
X80	B	6-7/8	BS5	05/15/06	16,015,475	15,729,875	285,600	116,480
6X5	E	4-5/8	GG6	05/15/06	16,180,509	16,180,509	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	22,450,675	9,000	0
2J0	B	6-1/4	BW6	02/15/07	13,103,678	12,965,874	137,804	3,200
2U5	C	6-5/8	BX4	05/15/07	13,958,186	13,690,711	267,475	21,800
3E0	D	6-1/8	CA3	08/15/07	25,636,803	25,210,603	426,200	0
3X8	B	5-1/2	CQ8	02/15/08	13,583,412	13,568,912	14,500	0
4F6	C	5-5/8	CY1	05/15/08	27,190,961	27,081,801	109,160	0
4V1	D	4-3/4	DK0	11/15/08	25,083,125	24,963,925	119,200	0
5G3	B	5-1/2	DV6	05/15/09	14,794,790	14,280,490	514,300	0
5N8	C	6	EA1	08/15/09	27,399,894	27,227,094	172,800	0
5Z1	B	6-1/2	EM5	02/15/10	23,355,709	23,343,109	12,600	5,200
6J6	C	5-3/4	FT9	08/15/10	22,437,594	22,436,994	600	0
6T4	B	5	GC5	02/15/11	23,436,329	23,436,329	0	0
Total Treasury Notes					1,441,033,318	1,410,634,245	30,399,073	986,688
Grand Total					2,082,447,159	1,907,763,861	174,683,298	19,154,356

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
July 5, 2001

CONTACT: Office of Financing
202/691-3550

TREASURY AMENDS 13-WEEK AND 26-WEEK BILL ANNOUNCEMENT

Today's 13-week and 26-week bill announcement incorrectly stated the amount of publicly held bills maturing July 12, 2001. The correct amount of maturing publicly held bills is $32,478 million.

The announcement also incorrectly stated the need to raise new cash in the amount of $7,522 million. Because of the adjustment to the amount of maturing publicly held bills, the announcement should have reflected a pay down of $5,478 million.

All other details on the announcement are the same.

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PO-468

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
July 7, 2001

Contact: Public Affairs
(202) 622-2960

Statement by Treasury Secretary Paul O'Neill following the G-7 Meeting in Rome

I enjoyed visiting with my G-7 colleagues here today. I find these gatherings particularly useful when we can have informal discussions among ourselves, together as a group or one on one in bilateral meetings. These kinds of frank discussions allow all of us to reach a deeper understanding of common ground and better prepare our principals for the Heads of State meeting in Genoa later this month. Going forward, we will work to strengthen the G-7 process and its value for our Heads of State and Government by making our goals as clear and measurable as possible and by taking a direct role in monitoring progress toward their achievement.

We all agreed that growth in each of our economies is crucial to prosperity around the world. I reiterated my belief that we in the United States have taken strong measures in both fiscal and monetary policy to return our economy to a higher growth path. And I continue to believe that the prospects for long-term global prosperity are better now than at any time in our history.

We were joined today by the heads of the multilateral development banks for a thorough and forthright exchange. We all agree that these institutions are crucial to world development and that education projects should be a larger part of MDB portfolios. I emphasized the importance of using rigorous performance measures to assist the MDBs in focusing their resources on projects that increase productivity and per capita income in developing nations.

I am very pleased that we have established a consensus on redirecting the OECD harmful tax practices project to focus exclusively on information exchange and treat non-member countries and member countries in the same timeline.

-30-

PO-469

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
July 9, 2001

Contact: Peter Hollenbach
(202)691-3502

PUBLIC DEBT ADDS MATURED NOTES AND BONDS TO TREASURY HUNT

The Bureau of the Public Debt expanded its popular Treasury Hunt Web site by adding information on some 14,000 matured registered Treasury notes and bonds still held by investors. The $54 million in matured Treasuries are held by about 10,000 investors. A registered Treasury note or bond is a paper security inscribed with the owner's name with records maintained by Public Debt. Treasury stopped issuing registered paper securities in 1986 with the advent of *TreasuryDirect*.

To check if you may have a matured registered note or bond, simply enter the Taxpayer Identification Number of the owner, either a Social Security Number for individuals, or an Employer Identification Number for trusts and organizations. Some 93 percent of these matured notes and bonds are registered in the names of individuals. The remainder are registered in the names of organizations such as churches, service and fraternal organizations or businesses. If there is a potential match, all the visitor to Treasury Hunt need do is provide some basic contact information and Public Debt's staff will follow up.

Treasury Hunt, at www.savingsbonds.gov, also lets the public search for undeliverable savings bonds and interest payments, along with matured Series E, H, and HH savings bonds. The public conducted more than 350,000 searches on the site since it went live in February 2001.

Investors who still hold $450 million in registered, paper Treasury bonds that have not yet reached maturity can make the SmartExhange and take advantage of the safety and convenience of maintaining their holdings in *TreasuryDirect*. Once investors convert their holdings to *TreasuryDirect*, they no longer have to be concerned about safekeeping paper securities. *TreasuryDirect* also offers payment by Direct Deposit and reinvestment options.

PO-470

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

FOR IMMEDIATE RELEASE
July 09, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	July 12, 2001
Maturity Date:	October 11, 2001
CUSIP Number:	912795GS4

High Rate: 3.560% Investment Rate 1/: 3.643% Price: 99.100

All noncompetitive and successful competitive bidders were awarded ecurities at the high rate. Tenders at the high discount rate were llotted 45.93%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 23,902,619	$ 13,496,685
Noncompetitive	1,343,423	1,343,423
FIMA (noncompetitive)	160,000	160,000
SUBTOTAL	25,406,042	15,000,108 2/
Federal Reserve	5,414,086	5,414,086
TOTAL	$ 30,820,128	$ 20,414,194

Median rate 3.530%: 50% of the amount of accepted competitive tenders s tendered at or below that rate. Low rate 3.495%: 5% of the amount accepted competitive tenders was tendered at or below that rate.

d-to-Cover Ratio = 25,406,042 / 15,000,108 = 1.69

Equivalent coupon-issue yield.
Awards to TREASURY DIRECT = $1,101,177,000

http://www.publicdebt.treas.gov

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
July 09, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	July 12, 2001
Maturity Date:	January 10, 2002
CUSIP Number:	912795JB8

High Rate: 3.500% Investment Rate 1/: 3.612% Price: 98.231

All noncompetitive and successful competitive bidders were awarded ecurities at the high rate. Tenders at the high discount rate were llotted 53.48%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 23,346,677	$ 10,693,955
Noncompetitive	1,181,213	1,181,213
FIMA (noncompetitive)	125,000	125,000
SUBTOTAL	24,652,890	12,000,168 2/
Federal Reserve	5,070,842	5,070,842
TOTAL	$ 29,723,732	$ 17,071,010

Median rate 3.480%: 50% of the amount of accepted competitive tenders as tendered at or below that rate. Low rate 3.430%: 5% of the amount f accepted competitive tenders was tendered at or below that rate.

id-to-Cover Ratio = 24,652,890 / 12,000,168 = 2.05

/ Equivalent coupon-issue yield.
/ Awards to TREASURY DIRECT = $924,488,000

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PO-472

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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U.S. International Reserve Position 07/10/01

The Treasury Department today released U.S. reserve assets data for the week ending July 6, 2001. As indicated in this table, U.S. reserve assets totaled $64,636 million as of July 6, 2001, down from $64,907 million as of June 29, 2001.

US millions)

Official U.S. Reserve Assets	June 29, 2001			July 6, 2001		
TOTAL	64,907			64,636		
	Euro	Yen	TOTAL	Euro	Yen	TOTAL
Foreign Currency Reserves [1]						
a. Securities	5,085	10,566	15,651	5,082	11,219	16,301
Of which, issuer headquartered in the U.S.			0			0
). Total deposits with:						
b.i. Other central banks and BIS	8,609	4,575	13,184	8,607	3,787	12,394
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
MF Reserve Position [2]			14,519			14,543
pecial Drawing Rights (SDRs) [2]			10,409			10,355
old Stock [3]			11,044			11,044
ther Reserve Assets			0			0

ncludes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account)MA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and osits reflect carrying values.

The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in ar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for June 29 are final. The entries in the table above luly 6 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of May 31, 2001. The April 30, 2001 value was 046 million.

-473

U.S. International Reserve Position (cont'd)

I. Predetermined Short-Term Drains on Foreign Currency Assets	June 29, 2001	July 6, 2001
. Foreign currency loans and securities	0	0
. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
Other	0	0

I. Contingent Short-Term Net Drains on Foreign Currency Assets	June 29, 2001	July 6, 2001
Contingent liabilities in foreign currency	0	0
.a. Collateral guarantees on debt due within 1 year		
.b. Other contingent liabilities		
Foreign currency securities with embedded options	0	0
Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
July 11, 2001

Contact: Peter Hollenbach
(202) 691-3502

BUREAU OF THE PUBLIC DEBT AIDS SAVINGS BONDS OWNERS AFFECTED BY FLOODING IN WEST VIRGINIA

The Bureau of Public Debt took action to assist victims of severe weather in West Virginia 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 West Virginia affected by the flooding. These procedures will remain in effect through August 31, 2001.

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.

The West Virginia counties involved are Boone, Cabell, Calhoun, Clay, Doddridge, Fayette, Kanawha, Lincoln, Logan, Mason, McDowell, Mercer, Mingo, Preston, Putnam, Raleigh, Roane, Summers, Wayne and Wyoming. 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 Richmond Federal Reserve Bank's Savings Bond Customer Service Department, 701 East Byrd Street, Richmond, Virginia 23219; phone (804) 697-8370. 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 Office of Investor Services, 200 Third St., Parkersburg, West Virginia 26106-1328. Bond owners should write the word 'DISASTER" on the front of their envelopes, to help expedite the processing of claims.

PO-474

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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

ɔR IMMEDIATE RELEASE
ıly 11, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 9-YR 6-MO INFLATION-INDEXED NOTES

This issue is a reopening of an inflation-indexed note originally issued ınuary 16, 2001.

ıterest Rate:	3 1/2%	Issue Date:	July 16, 2001
ɛries:	A-2011	Dated Date:	July 15, 2001
JSIP No:	9128276R8	Maturity Date:	January 15, 2011
'RIPS Minimum:	$1,000	TIIN Conversion Factor per $1,000 =	10.054861623 1/

High Yield: 3.500% Adjusted Price: 101.863

All noncompetitive and successful competitive bidders were awarded ·curities at the high yield. Tenders at the high yield were lotted 86.09%. All tenders at lower yields were accepted in full.

Adjusted accrued interest of $ 0.09688 per $1,000 must be paid for e period from July 15, 2001 to July 16, 2001.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 9,394,230	$ 4,888,736
Noncompetitive	111,268	111,268
TOTAL	$ 9,505,498	$ 5,000,004 2/

Both the unadjusted price of $100.000 and the unadjusted accrued interest $ 0.09511 were adjusted by an index ratio of 1.01863, for the period ɔm January 15, 2001, through July 16, 2001.

Median yield 3.468%: 50% of the amount of accepted competitive tenders ɜ tendered at or below that rate. Low yield 3.430%: 5% of the amount accepted competitive tenders was tendered at or below that rate.

)-TO-COVER RATIO = 9,505,498 / 5,000,004 = 1.90
FIMA NONCOMPETITIVE BIDS WERE TENDERED IN TODAY'S AUCTION.

This factor is used to calculate the Adjusted Values for any TIIN face amount and will be maintained to 2-decimals on Book-entry systems.
Awards to TREASURY DIRECT = $43,224,000

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
July 12, 2001

Contact: Public Affairs
(202) 622-2960

STATEMENT OF SHEILA C. BAIR NOMINEE FOR ASSISTANT SECRETARY OF THE TREASURY FOR FINANCIAL INSTITUTIONS BEFORE THE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS UNITED STATES SENATE

Chairman Sarbanes, Ranking Member Gramm, and Members of the Committee, I am pleased to appear before you today to discuss my nomination to become the Assistant Secretary of the Treasury for Financial Institutions.

Before I begin my statement, it might be prudent to introduce my family, since I think it unlikely our 17-month-old daughter, Colleen, is going to make it through the entire hearing. With me today are my husband, Scott Cooper, our 8-year-old son, Preston, Colleen, and our au pair, Urarat Sukahrom. I am very happy that they could all be with me this morning on this special occasion.

I would like to begin my statement by expressing my deep appreciation to President Bush for nominating me for this important position. I am honored by the confidence the White House has shown in me by naming me to this post and I will work hard to justify that confidence. I would also like to thank Secretary O'Neill, Deputy Secretary-Designate Ken Dam, and Under Secretary-Designate Peter Fisher for the support they have provided for my nomination. I look forward to having the privilege of working with them, the rest of the impressive team that the President has assembled, and the well regarded career staff at the Treasury Department.

Next, I would like to thank Senator Dole for his support and help on this nomination, and all the support, advice, and mentoring he has provided me over the past two decades. I know he wanted to be here this morning and wish him a full and speedy recovery from his recent surgery. Working for Senator Dole early in my career, I was able to learn all the best things about being in public service. In the tradition of two other great Kansans, William Allen White and Dwight D. Eisenhower, Senator Dole's leadership in the Senate reflected the common sense values and pragmatic idealism so steeped in the politics of Middle America. From him, I learned that government has a special obligation to use American taxpayers' dollars wisely and sparingly, wisdom that will serve me well at the Treasury Department whose job I believe, first and foremost, is to protect taxpayers' funds from imprudent risk and wasteful expenditure. Senator Dole also taught me, however, that government has a special obligation to help society's less fortunate and those programs to help the poor and disadvantaged, if carefully targeted and efficiently managed, can constitute a wise and noble use of taxpayer's funds.

PO-476

I come to you today with over a decade of experience working in public service, ranging from my first job as a civil rights attorney for the old Department of Health, Education and Welfare, to my five years of service to this august body on the staff of Senator Dole, to over four years as a Commissioner on the Commodity Futures Trading Commission, where I served as Chairman of the CFTC's Financial Products Advisory Committee. I have nearly 12 years experience working with the financial markets, combining my years at the CFTC, with over seven with the New York Stock Exchange, and five as Senior Vice President for Government Relations. My blend of experiences with the NYSE and CFTC has given me valuable insights into the financial regulatory/policy making process from the perspective of both the regulator and the regulated. It has also given me a broad based understanding of the workings of financial markets and the financial institutions, which participate in them.

My previous experience with financial derivatives and equities will be helpful in dealing with the myriad public policy issues that are arising as traditional lines demarcating banking products from other types of financial products are blurring, and in some cases, disappearing. With financial institutions forging into new product lines and services in the wake of the Gramm-Leach-Bliley Act, the ability of financial regulators and policy makers to coordinate and work together cooperatively is being increasingly challenged, and I hope my background will help me to contribute to the development of comity and consistency in the regulation and oversight of our financial institutions. These are exciting times in the making of financial regulatory policy and once again, let me say how deeply grateful I am to President Bush for giving me this opportunity to return to public service. If confirmed by the Senate, I look forward to working closely with members of this Committee, the House Financial Services Committee and others as together we deal with the dynamic and momentous changes occurring in the delivery of financial services.

Thank you very much. I would be happy to respond to any questions that you might have.

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
July 12, 2001

Contact: Tasia Scolinos
(202) 622-2960

AMERICAN HOME PRODUCTS SETTLES TREASURY NARCOTICS TRAFFICKING SANCTIONS MATTER FOR $2.5 MILLION

American Home Products has paid the Treasury Department $2.5 million to settle charges levied against two of its wholly-owned U.S. subsidiaries, Wyeth-Ayerst International, Inc. and Whitehall International Inc. Acting through their Colombian branches and affiliates, these subsidiaries engaged in prohibited transactions with entities designated by Treasury's Office of Foreign Assets Control ("OFAC") as Specially Designated Narcotics Traffickers ("SDNTs").

The alleged transactions were with the SDNT front company, *Drogas la Rebaja*, and other affiliated SDNT businesses. *Drogas la Rebaja*, now also known as *Copservir*, is a Colombian drugstore chain named to OFAC's list of SDNTs in October 1995. *Drogas la Rebaja* and the other involved SDNT businesses are owned or controlled by Colombia's Cali drug cartel leaders, Gilberto and Miguel Rodriguez Orejuela. This is the largest civil settlement ever received by OFAC under the SDNT program.

OFAC enforces these narcotics trafficking sanctions under Executive Order 12978 and 31 CFR Part 536. The principal tool for implementing the sanctions is OFAC's list of SDNTs which was developed by OFAC in close consultation with both the Justice Department and the State Department. The objectives of the SDNT program are to identify, expose, isolate and incapacitate the businesses and agents of the Colombian drug cartels by denying them access to the U.S. financial system and to the benefits of trade and transactions involving U.S. businesses and individuals. Since the inception of the SDNT program in October 1995, OFAC has issued 12 lists and identified 578 businesses and individuals as SDNTs. This list consists of 10 Colombian drug cartel leaders, 231 businesses and 337 other individuals.

"Violations of our sanctions programs against foreign narcotics traffickers and those who provide them with material support are taken very seriously and violators must understand that they will pay a penalty," said OFAC Director Richard Newcomb.

PO-477

"Engaging in any unauthorized transaction with an SDNT is a violation of U.S. law and all United States persons should be cautioned accordingly," added Director Newcomb.

In announcing the settlement, Director Newcomb recognized the U.S. Customs Service for its efforts in investigating the alleged transactions that resulted in the precedent setting settlement.

-30-

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.
July 12, 2001

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 $28,000 million to refund $19,629 million of publicly held bills maturing July 19, 2001, and to raise about $8,371 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $10,561 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of each auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers have requested that we reinvest their maturing holdings of approximately $932 million into the 13-week bill and $1,110 million into the 26-week bill.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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

PO-478

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED JULY 19, 2001

July 12, 2001

Offering Amount	$15,000 million	$13,000 million
Public Offering	Offering amount less the amount awarded for FIMA accounts	

Description of Offering:

Term and type of security	91-day bill	182-day bill
CUSIP number	912795 HS 3	912795 JC 6
Auction date	July 16, 2001	July 16, 2001
Issue date	July 19, 2001	July 19, 2001
Maturity date	October 18, 2001	January 17, 2002
Original issue date	April 19, 2001	July 19, 2001
Currently outstanding	$12,174 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 million at the highest discount rate of accepted competitive bids.

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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 Rate....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.

For Release at 10:00 a.m.
July 12, 2001

PO-479

STATEMENT OF
THE OFFICE OF TAX POLICY
DEPARTMENT OF THE TREASURY
BEFORE THE COMMITTEE ON FINANCE

Mr Chairman, Mr. Grassley, and Members of the Committee:

This statement is submitted for inclusion in the record of the hearings before the Committee on July 10 and 11, 2001, and a third date to be scheduled. The subject of the hearings and this statement is the role of tax incentives in energy policy.

It is the goal of this Administration to pursue an energy policy that protects America's economic, security, and environmental interests. As you know, in May the President's National Energy Policy Development (NEPD) Group released its report entitled "Reliable, Affordable, and Environmentally Sound Energy for America's Future." The report sets forth three basic features of a National Energy Policy:

> The Policy is a long-term, comprehensive strategy. Our energy crisis has been years in the making, and will take years to put fully behind us.
>
> The Policy will advance new, environmentally friendly technologies to increase energy supplies and encourage cleaner, more efficient energy use.
>
> The Policy seeks to raise the living standards of the American people, recognizing that to do so our country must fully integrate its energy, environmental, and economic policies.

In that context, the Office of Tax Policy appreciates the opportunity to present testimony on tax incentives to promote energy conservation and increase domestic production of oil and gas.

Energy Efficiency and Alternative Energy Sources

Incentives for energy efficiency and alternative energy sources are essential elements of national energy policy. The continuing strength of our economy over the past two years, despite oil price rises, underscores the dramatic improvements in energy efficiency we have achieved over the past quarter century, as well as the changing economy. While past oil shortages have taken a significant toll on the U.S. economy, the recent increases in oil prices have not affected the economy much. Increased energy efficiency in cars, homes, and manufacturing has helped insulate the economy from these short-term market fluctuations. In 1974, we consumed 15 barrels of oil for every $10,000 of gross domestic product. Today we consume only 8 barrels of oil for the same amount (in constant dollars) of economic output.

Current law tax incentives for energy efficiency and alternative fuels

Tax incentives currently provide an important element of support for energy-efficiency improvements and increased use of renewable and alternative fuels. Current incentives are estimated to total $1.2 billion for fiscal years 2002 through 2006. They include a tax credit for electric vehicles and expensing for clean-fuel vehicles ($20 million), a tax credit for the production of electricity from wind or biomass and a tax credit for certain solar energy property ($590 million), and an exclusion from gross income for certain energy conservation subsidies provided by public utilities to their customers ($580 million).[1]

Electric and clean-fuel vehicles and clean-fuel vehicle refueling property

A 10-percent tax credit is provided for the cost of a qualified electric vehicle, up to a maximum credit of $4,000. A qualified electric vehicle is a motor vehicle that is powered primarily by an electric motor drawing current from rechargeable batteries, fuel cells, or other portable sources of electric current, the original use of which commences with the taxpayer, and that is acquired for use by the taxpayer and not for resale. The full amount of the credit is available for purchases prior to 2002. The credit begins to phase down in 2002 and does not apply to vehicles placed in service after 2004.

Certain costs of qualified clean-fuel vehicles and clean-fuel vehicle refueling property may be deducted when such property is placed in service. Qualified electric vehicles do not qualify for the clean-fuel vehicle deduction. The deduction begins to phase down in 2002 and does not apply to property placed in service after 2004.

Energy from wind or biomass

A 1.5-cent-per-kilowatt-hour tax credit is provided for electricity produced from wind, "closed-loop" biomass (organic material from a plant that is planted exclusively for purposes of being used at a qualified facility to produce electricity), and poultry waste. The electricity must be sold to an unrelated person and the credit is limited to the first 10 years of production. The credit applies only to facilities placed in service before January 1, 2002. The credit amount is indexed for inflation after 1992.

Solar energy

A 10-percent investment tax credit is provided to businesses for qualifying equipment that uses solar energy to generate electricity, to heat or cool or provide hot water for use in a structure, or to provide solar process heat.

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[1] *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2002*, U.S. Government Printing Office, Washington, DC, 2001, p. 63.

Ethanol and renewable source methanol

An income tax credit and an excise tax exemption are provided for ethanol and renewable source methanol used as a fuel. In general, the income tax credit is 53 cents per gallon for ethanol and 60 cents per gallon for renewable source methanol. As an alternative to the income tax credit, gasohol blenders may claim an equivalent gasoline tax exemption for each ethanol and renewable source methanol that is blended into qualifying gasohol.

The income tax credit expires on December 31, 2007, and the excise tax exemption expires on September 30, 2007. In addition, the ethanol credit and exemption are each reduced by 1 cent per gallon in 2003 and by an additional 1 cent per gallon in 2005. Neither the credit nor the exemption applies during any period in which motor fuel taxes dedicated to the Highway Trust Fund are limited to 4.3 cents per gallon. Under current law, the motor fuel tax dedicated to the Highway Trust Fund will be limited to 4.3 cents per gallon beginning on October 1, 2005.

Energy conservation subsidies

Subsidies provided by public utilities to their customers for the purchase or installation of energy conservation measures are excluded from the customers' gross income. An energy conservation measure is any installation or modification primarily designed to reduce consumption of electricity or natural gas or to improve the management of energy demand with respect to a dwelling unit.

Administration budget proposals

The Administration's budget proposals for fiscal year 2002 include tax incentives for renewable energy resources. The budget also proposes to modify the tax treatment of nuclear decommissioning funds. The Administration's budget proposals are described below.[2]

Electricity from wind and biomass

The President's Budget proposes to extend the credit for electricity produced from wind and biomass for three years to facilities placed in service before January 1, 2005. In addition, eligible biomass sources would be expanded to include certain biomass from forest-related resources, agricultural sources, and other specified sources. Special rules would apply to biomass facilities placed in service before January 1, 2002. Electricity produced at such facilities from newly eligible sources would be eligible for the credit only from January 1, 2002, through December 31, 2004. The credit for such electricity would be computed at a rate equal to 60 percent of the generally applicable rate. Electricity produced from newly eligible biomass co-fired in coal plants would also be eligible for the credit only from January 1, 2002, through December

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[2] For a more detailed description, see *General Explanations of the Administration's Fiscal Year 2002 Tax Relief Proposals*, Department of the Treasury, April 2001.

31, 2004. The credit for such electricity would be computed at a rate equal to 30 percent of the generally applicable rate.

Residential solar energy systems

The President's Budget proposes a new tax credit for individuals that purchase solar energy equipment used to generate electricity (photovoltaic equipment) or heat water (solar water heating equipment) for use in a dwelling unit that the individual uses as a residence. The credit would be available only for equipment used exclusively for purposes other than heating swimming pools. The proposed credit would be equal to 15 percent of the cost of the equipment and its installation. The credit would be nonrefundable and an individual would be allowed a lifetime maximum credit of $2,000 per residence for photovoltaic equipment and $2,000 per residence for solar water heating equipment. The credit would apply only to solar water heating equipment placed in service after December 31, 2001, and before January 1, 2006, and to photovoltaic systems placed in service after December 31, 2001, and before January 1, 2008.

Nuclear decommissioning funds

The President's Budget proposes to repeal the current law provision that limits deductible contributions to a nuclear decommissioning fund to the amount included in the taxpayer's cost of service for ratemaking purposes. Thus, unregulated taxpayers would be allowed a deduction for amounts contributed to a qualified nuclear decommissioning fund. The Administration also proposes to permit funding of all decommissioning costs (including pre-1984 costs) through qualified nuclear decommissioning funds. Contributions to fund pre-1984 costs would be deductible except to the extent a deduction (other than under the qualified fund rules) or an exclusion from income has been previously allowed with respect to those costs. The Administration's proposal would clarify that any transfer of a qualified nuclear decommissioning fund in connection with the transfer of the power plant with which it is associated would be nontaxable and no gain or loss will be recognized by the transferor or transferee as a result of the transfer. In addition, the proposal would permit taxpayers to make deductible contributions to a qualified fund after the end of the nuclear power plant's estimated useful life and would provide that nuclear decommissioning costs are deductible when paid.

NEPD Group proposals

The Report of the NEPD Group also included tax incentives for renewable energy resources and for more efficient energy use. The NEPD Group proposals are described below.[3]

[3] For a more detailed description, see the attachments to this statement.

Fuel from landfill methane

The NEPD Group report proposes to extend the section 29 credit for fuel produced from landfill methane produced at a facility (or portion of a facility) that is placed in service after December 31, 2001. Fuel produced at such facilities would be eligible for the credit through December 31, 2010. The proposal would also expand the credit by permitting the credit for fuel used by the taxpayer to produce electricity. The credit for fuel produced at landfills subject to EPA's 1996 New Source Performance Standards/Emissions Guidelines would be limited to two-thirds of the otherwise applicable amount. In the case of landfills with facilities that currently qualify for the section 29 credit, this limitation would not apply until after 2007.

Ethanol and renewable source methanol

The NEPD Group report proposes to extend the income tax credit and excise tax exemption for ethanol and renewable source methanol through December 31, 2010. The current law rule providing that neither the credit nor the exemption applies during any period in which motor fuel taxes dedicated to the Highway Trust Fund are limited to 4.3 cents per gallon would be retained. As under current law, the credit and the exemption would each be reduced by 1 cent per gallon in 2003 and by an additional 1 cent per gallon in 2005.

Hybrid and fuel cell vehicles

The NEPD Group report proposes to provide temporary tax credits for certain hybrid and fuel cell vehicles.

A credit of $250 to $4,000 would be available for purchases of qualifying hybrid vehicles after December 31, 2001, and before January 1, 2008. A hybrid vehicle is a vehicle that draws propulsion from both an on-board internal combustion or heat engine using combustible fuel and an on-board rechargeable energy storage system. To qualify for the minimum credit, a hybrid vehicle would be required to derive at least 5 percent of its maximum available power from the rechargeable energy storage system. Larger credits would be available for vehicles that derive larger percentages of power from the rechargeable energy storage system and for vehicles that meet specified fuel economy standards.

A credit of $1,000 to $8,000 would be available for the purchase of qualifying fuel cell vehicles after December 31, 2001, and before January 1, 2008. A fuel cell vehicle is a motor vehicle propelled by power derived from one or more cells that convert chemical energy directly into electricity by combining oxygen with on-board hydrogen (including hydrogen produced from on-board fuel that requires reformation before use). To qualify for the minimum credit, a fuel cell vehicle would be required to meet a minimum fuel economy standard for its weight class. Larger credits would be available for vehicles that achieve higher fuel economy standards.

Combined heat and power systems

To encourage more efficient energy usage, the NEPD Group report proposes to provide a 10-percent investment credit for qualifying combined heat and power (CHP) systems. CHP systems are used to produce electricity (and/or mechanical power) and usable heat from the same primary energy source. To qualify for the credit, a system would be required to produce at least 20 percent of its total useful energy in the form of thermal energy and at least 20 percent in the form of electrical and/or mechanical power and would also be required to satisfy an energy efficiency standard. The credit would apply to CHP equipment placed in service after December 31, 2001, and before January 1, 2007.

Increasing Domestic Oil and Gas Production

Before turning to a discussion of the present tax treatment of oil and gas activities, we would like to provide a brief overview of this sector.

Overview

Oil is an internationally traded commodity with its domestic price set by world supply and demand. Domestic exploration and production activity is affected by the world price of crude oil. Historically, world oil prices have fluctuated substantially. From 1970 to the early 1980s, there was a fivefold increase in real oil prices. World oil prices fell sharply in 1986 and were relatively more stable from 1986 through 1997. During that period, average refiner acquisition costs ranged from \$16.24 to \$25.63 per barrel in real 1996 dollars.[4] In 1998, however, oil costs to the refiner declined to \$12.52 per barrel in nominal dollars (\$12.13 per barrel in 1996 dollars), their lowest level in 25 years in real terms. Since 1998, the decline has reversed with refiner acquisition costs (in nominal dollars) rising to \$17.51 per barrel in 1999 and \$28.23 per barrel in 2000 (the price has since dropped to \$24.97 per barrel in May 2001, the latest month for which composite figures are available). The equivalent prices in 1996 dollars are \$16.71 per barrel in 1999, \$26.40 per barrel in 2000, and \$23.01 per barrel in May 2001.

Domestic oil production has been on the decline since the mid-1980s. From 1978 to 1983 oil consumption in the United States also declined, but increasing consumption since 1983 has more than offset this decline. In 2000, domestic oil consumption was 28 percent higher than in 1970. The decline in oil production and increase in consumption have led to an increase in oil imports. Net petroleum (crude and product) imports have risen from approximately 38 percent of consumption in 1988 to 52 percent in 2000.

A similar pattern of large recent price increases and increasing dependence on imports has occurred in the natural gas market. During the second half of the 1990s, spot prices for natural gas exceeded \$4.00 per million Btu (MMBtu) in only one month (February 1996). The spot price again exceeded \$4.00 per MMBtu in May 2000, rose above \$5.00 per MMBtu in September

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[4] Nominal prices are converted to 1996 dollars using the Bureau of Economic Analysis Implicit Price Deflator.

2000, and exceeded $10.00 per MMBtu for several days last winter. Since last winter the price has fallen sharply. The current spot price is approximately $3.00 per MMBtu.[5]

The United States has large natural gas reserves and was essentially self-sufficient in natural gas until the late 1980s. Since 1986, natural gas consumption has increased by more than 30 percent but natural gas production has increased by only 17 percent. Net imports as a share of consumption nearly quadrupled from 1986 to 2000, rising from 4.2 percent to 15.6 percent. Natural gas from Canada makes up nearly all of the imports into the United States.

Current law tax incentives for oil and gas production

Although the Administration's energy plan contains no new tax incentives for oil and gas production, the Internal Revenue Code includes a variety of measures to stimulate domestic exploration and production. They are generally justified on the ground that they reduce vulnerability to an oil supply disruption through increases in domestic production, reserves, exploration activity, and production capacity. The tax incentives contained in present law address the drop in domestic exploratory drilling that has occurred since the mid-1950s and the continuing loss of production from mature fields and marginal properties.

Incentives for oil and gas production are estimated to total $9.8 billion for fiscal years 2002 through 2006.[6] They include the nonconventional fuels (i.e., oil produced from shale and tar sands, gas produced from geopressured brine, Devonian shale, coal seams, tight formations, or biomass, and synthetic fuel produced from coal) production credit ($2.4 billion), the enhanced oil recovery credit ($4.4 billion), the allowance of percentage depletion for independent producers and royalty owners, including increased percentage depletion for stripper wells ($2.3 billion), the exception from the passive loss limitation for working interests in oil and gas properties ($100 million), and the expensing of intangible drilling and development costs ($640 million). In addition to those tax expenditures, oil and gas activities have largely been eliminated from the alternative minimum tax. These provisions are described in detail below.

<u>Percentage depletion</u>

Certain costs incurred prior to drilling an oil- or gas-producing property are recovered through the depletion deduction. These include costs of acquiring the lease or other interest in the property, and geological and geophysical costs (in advance of actual drilling). Any taxpayer having an economic interest in a producing property may use the cost depletion method. Under this method, the basis recovery for a taxable year is proportional to the exhaustion of the property during the year. The cost depletion method does not permit cost recovery deductions that exceed

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[5] All price references are to the spot price at the Henry Hub and are in nominal dollars.

[6] *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2002*, U.S. Government Printing Office, Washington, DC, 2001, p. 63.

the taxpayer's basis in the property or that are allowable on an accelerated basis. Thus, the deduction for cost depletion is not generally viewed as a tax incentive.

Independent producers and royalty owners (as contrasted to integrated oil companies)[7] may qualify for percentage depletion. A qualifying taxpayer determines the depletion deduction for each oil or gas property under both the percentage depletion method and the cost depletion method and deducts the larger of the two amounts. Under the percentage depletion method, generally 15 percent of the taxpayer's gross income from an oil- or gas-producing property is allowed as a deduction in each taxable year. The amount deducted may not exceed 100 percent of the net income from that property in any year (the "net-income limitation").[8] Additionally, the percentage depletion deduction for all oil and gas properties may not exceed 65 percent of the taxpayer's overall taxable income (determined before such deduction and adjusted for certain loss carrybacks and trust distributions).[9]

A taxpayer may claim percentage depletion with respect to up to 1,000 barrels of average daily production of domestic crude oil or an equivalent amount of domestic natural gas. For producers of both oil and natural gas, this limitation applies on a combined basis. All production owned by businesses under common control and members of the same family must be aggregated; each group is then treated as one producer for application of the 1,000-barrel limitation.

Special percentage depletion provisions apply to oil and gas production from marginal properties. The statutory percentage depletion rate is increased (from the general rate of 15

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[7] An independent producer is any producer who is not a "retailer" or "refiner." A retailer is any person who directly, or through a related person, sells oil or natural gas or any product derived therefrom (1) through any retail outlet operated by the taxpayer or related person, or (2) to any person that is obligated to market or distribute such oil or natural gas (or product derived therefrom) under the name of the taxpayer or the related person, or that has the authority to occupy any retail outlet owned by the taxpayer or a related person. Bulk sales of crude oil and natural gas to commercial or industrial users, and bulk sales of aviation fuel to the Department of Defense, are not treated as retail sales for this purpose. Further, a person is not a retailer within the meaning of this provision if the combined gross receipts of that person and all related persons from the retail sale of oil, natural gas, or any product derived therefrom do not exceed $5 million for the taxable year. A refiner is any person who directly or through a related person engages in the refining of crude oil, but only if such person or related person has a refinery run in excess of 50,000 barrels per day on any day during the taxable year.

[8] By contrast, for any other mineral qualifying for the percentage depletion deduction, the deduction may not exceed 50 percent of the taxpayer's taxable income from the depletable property.

[9] Amounts disallowed as a result of this rule may be carried forward and deducted in subsequent taxable years, subject to the 65-percent-of-taxable-income limitation for those years.

percent) by one percentage point for each whole dollar that the average price of crude oil (as determined under the provisions of the nonconventional fuels production credit of section 29) for the immediately preceding calendar year is less than $20 per barrel. In no event may the rate of percentage depletion under this provision exceed 25 percent for any taxable year. The increased rate applies for the taxpayer's taxable year which immediately follows a calendar year for which the average crude oil price falls below the $20 floor. To illustrate the application of this provision, the average price of a barrel of crude oil for calendar year 1999 was $15.56; thus, the percentage depletion rate for production from marginal wells was increased by four percent (to 19 percent) for taxable years beginning in 2000. The 100-percent-of-net-income limitation has been suspended for marginal wells for taxable years beginning after December 31, 1997, and before January 1, 2002. The Administration's budget for fiscal year 2002 proposes a one-year extension of this provision. Under the Administration proposal, marginal wells would continue to be exempt from the limitation during taxable years beginning in 2002.

Marginal production is defined for this purpose as domestic crude oil or domestic natural gas which is produced during any taxable year from a property which (1) is a stripper well property for the calendar year in which the taxable year begins, or (2) is a property substantially all of the production from which during such calendar year is heavy oil (i.e., oil that has a weighted average gravity of 20 degrees API or less corrected to 60 degrees Fahrenheit). A stripper well property is any oil or gas property for which daily average production per producing oil or gas well is not more than 15 barrel equivalents in the calendar year during which the taxpayer's taxable year begins.[10] A property qualifies as a stripper well property for a calendar year only if the wells on such property were producing during that period at their maximum efficient rate of flow.

If a taxpayer's property consists of a partial interest in one or more oil- or gas-producing wells, the determination of whether the property is a stripper well property or a heavy oil property is made with respect to total production from such wells, including the portion of total production attributable to ownership interests other than the taxpayer's. If the property satisfies the requirements of a stripper well property, then each owner receives the benefits of this provision with respect to its allocable share of the production from the property for its taxable year that begins during the calendar year in which the property so qualifies.

The allowance for percentage depletion on production from marginal oil and gas properties is subject to the 1,000-barrel-per-day limitation discussed above. Unless a taxpayer elects otherwise, marginal production is given priority over other production for purposes of utilization of that limitation.

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[10] Equivalent barrels is computed as the sum of (1) the number of barrels of crude oil produced, and (2) the number of cubic feet of natural gas produced divided by 6,000. If a well produced 10 barrels of crude oil and 12,000 cubic feet of natural gas, its equivalent barrels produced would equal 12 (i.e., 10 + (12,000 / 6,000)).

Because percentage depletion, unlike cost depletion, is computed without regard to the taxpayer's basis in the depletable property, cumulative depletion deductions may be far greater than the amount expended by the taxpayer to acquire or develop the property.

Intangible drilling and development costs

In general, costs that benefit future periods must be capitalized and recovered over such periods for income tax purposes, rather than being expensed in the period the costs are incurred. In addition, the uniform capitalization rules require certain direct and indirect costs allocable to property to be included in inventory or capitalized as part of the basis of such property. In general, the uniform capitalization rules apply to real and tangible personal property produced by the taxpayer or acquired for resale.

Special rules apply to intangible drilling and development costs ("IDCs").[11] Under these special rules, an operator (i.e., a person who holds a working or operating interest in any tract or parcel of land either as a fee owner or under a lease or any other form of contract granting working or operating rights) who pays or incurs IDCs in the development of an oil or gas property located in the United States may elect either to expense or capitalize those costs. The uniform capitalization rules do not apply to otherwise deductible IDCs.

If a taxpayer elects to expense IDCs, the amount of the IDCs is deductible as an expense in the taxable year the cost is paid or incurred. Generally, IDCs that a taxpayer elects to capitalize may be recovered through depletion or depreciation, as appropriate; or in the case of a nonproductive well ("dry hole"), the operator may elect to deduct the costs. In the case of an integrated oil company (i.e., a company that engages, either directly or through a related enterprise, in substantial retailing or refining activities) that has elected to expense IDCs, 30

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[11] IDCs include all expenditures made by an operator for wages, fuel, repairs, hauling, supplies, etc., incident to and necessary for the drilling of wells and the preparation of wells for the production of oil and gas. In addition, IDCs include the cost to operators of any drilling or development work (excluding amounts payable only out of production or gross or net proceeds from production, if the amounts are depletable income to the recipient, and amounts properly allocable to the cost of depreciable property) done by contractors under any form of contract (including a turnkey contract). Such work includes labor, fuel, repairs, hauling, and supplies which are used in the drilling, shooting, and cleaning of wells; in such clearing of ground, draining, road making, surveying, and geological works as are necessary in preparation for the drilling of wells; and in the construction of such derricks, tanks, pipelines, and other physical structures as are necessary for the drilling of wells and the preparation of wells for the production of oil and gas. Generally, IDCs do not include expenses for items which have a salvage value (such as pipes and casings) or items which are part of the acquisition price of an interest in the property.

percent of the IDCs on productive wells must be capitalized and amortized over a 60-month period.[12]

A taxpayer that has elected to deduct IDCs may, nevertheless, elect to capitalize and amortize certain IDCs over a 60-month period beginning with the month the expenditure was paid or incurred. This rule applies on an expenditure-by-expenditure basis; that is, for any particular taxable year, a taxpayer may deduct some portion of its IDCs and capitalize the rest under this provision. This allows the taxpayer to reduce or eliminate IDC adjustments or preferences under the alternative minimum tax.

The election to deduct IDCs applies only to those IDCs associated with domestic properties.[13] For this purpose, the United States includes certain wells drilled offshore.[14]

Intangible drilling costs are a major portion of the costs necessary to locate and develop oil and gas reserves. Because the benefits obtained from these expenditures are of value throughout the life of the project, these costs would be capitalized and recovered over the period of production under generally applicable accounting principles.

Nonconventional fuels production credit

Taxpayers that produce certain qualifying fuels from nonconventional sources are eligible for a tax credit ("the section 29 credit") equal to $3 per barrel or barrel-of-oil equivalent.[15] Fuels qualifying for the credit must be produced domestically from a well drilled, or a facility treated as

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[12] The IRS has ruled that if an integrated oil company ceases to be an integrated oil company, it may not immediately write off the unamortized portion of the IDCs capitalized under this rule, but instead must continue to amortize those IDCs over the 60-month amortization period.

[13] In the case of IDCs paid or incurred with respect to an oil or gas well located outside of the United States, the costs, at the election of the taxpayer, are either (1) included in adjusted basis for purposes of computing the amount of any deduction allowable for cost depletion or (2) capitalized and amortized ratably over a 10-year period beginning with the taxable year such costs were paid or incurred.

[14] The term "United States" for this purpose includes the seabed and subsoil of those submerged lands that are adjacent to the territorial waters of the United States and over which the United States has exclusive rights, in accordance with international law, with respect to the exploration and exploitation of natural resources (i.e., the Continental Shelf area).

[15] A barrel-of-oil equivalent generally means that amount of the qualifying fuel which has a Btu (British thermal unit) content of 5.8 million.

placed in service before January 1, 1993.[16] The section 29 credit generally is available for qualified fuels sold to unrelated persons before January 1, 2003.[17]

For purposes of the credit, qualified fuels include: (1) oil produced from shale and tar sands; (2) gas produced from geopressured brine, Devonian shale, coal seams, a tight formation, or biomass (i.e., any organic material other than oil, natural gas, or coal (or any product thereof); and (3) liquid, gaseous, or solid synthetic fuels produced from coal (including lignite), including such fuels when used as feedstocks. The amount of the credit is determined without regard to any production attributable to a property from which gas from Devonian shale, coal seams, geopressured brine, or a tight formation was produced in marketable quantities before 1980.

The amount of the section 29 credit generally is adjusted by an inflation adjustment factor for the calendar year in which the sale occurs.[18] There is no adjustment for inflation in the case of the credit for sales of natural gas produced from a tight formation. The credit begins to phase out if the annual average unregulated wellhead price per barrel of domestic crude oil exceeds $23.50 multiplied by the inflation adjustment factor.[19]

The amount of the section 29 credit allowable with respect to a project is reduced by any unrecaptured business energy tax credit or enhanced oil recovery credit claimed with respect to such project.

As with most other credits, the section 29 credit may not be used to offset alternative minimum tax liability. Any unused section 29 credit generally may not be carried back or forward to another taxable year; however, a taxpayer receives a credit for prior year minimum tax liability

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[16] A facility that produces gas from biomass or produces liquid, gaseous, or solid synthetic fuels from coal (including lignite) generally will be treated as being placed in service before January 1, 1993, if it is placed in service by the taxpayer before July 1, 1998, pursuant to a written binding contract in effect before January 1, 1997. In the case of a facility that produces coke or coke gas, however, this provision applies only if the original use of the facility commences with the taxpayer. Also, the IRS has ruled that production from certain post-1992 "recompletions" of wells that were originally drilled prior to the expiration date of the credit would qualify for the section 29 credit.

[17] If a facility that qualifies for the binding contract rule is originally placed in service after December 31, 1992, production from the facility may qualify for the credit if sold to an unrelated person before January 1, 2008.

[18] The inflation adjustment factor for the 2000 taxable year was 2.0454. Therefore, the inflation-adjusted amount of the credit for that year was $6.14 per barrel or barrel equivalent.

[19] For 2000, the inflation adjusted threshold for onset of the phaseout was $48.07 ($23.50 x 2.0454) and the average wellhead price for that year was $26.73.

to the extent that a section 29 credit is disallowed as a result of the operation of the alternative minimum tax. The credit is limited to what would have been the regular tax liability but for the alternative minimum tax.

The provision provides a significant tax incentive (currently about $6 per barrel of oil equivalent or $1 per thousand cubic feet of natural gas). Coalbed methane and gas from tight formations currently account for most of the credit.

Enhanced oil recovery credit

Taxpayers are permitted to claim a general business credit, which consists of several different components. One component of the general business credit is the enhanced oil recovery credit. The general business credit for a taxable year may not exceed the excess (if any) of the taxpayer's net income tax over the greater of (1) the tentative minimum tax, or (2) 25 percent of so much of the taxpayer's net regular tax liability as exceeds $25,000. Any unused general business credit generally may be carried back one taxable year and carried forward 20 taxable years.

The enhanced oil recovery credit for a taxable year is equal to 15 percent of certain costs attributable to qualified enhanced oil recovery ("EOR") projects undertaken by the taxpayer in the United States during the taxable year. To the extent that a credit is allowed for such costs, the taxpayer must reduce the amount otherwise deductible or required to be capitalized and recovered through depreciation, depletion, or amortization, as appropriate, with respect to the costs. A taxpayer may elect not to have the enhanced oil recovery credit apply for a taxable year.

The amount of the enhanced oil recovery credit is reduced in a taxable year following a calendar year during which the annual average unregulated wellhead price per barrel of domestic crude oil exceeds $28 (adjusted for inflation since 1990).[20] In such a case, the credit would be reduced ratably over a $6 phaseout range.

For purposes of the credit, qualified enhanced oil recovery costs include the following costs which are paid or incurred with respect to a qualified EOR project: (1) the cost of tangible property which is an integral part of the project and with respect to which depreciation or amortization is allowable; (2) IDCs that the taxpayer may elect to deduct;[21] and (3) the cost of tertiary injectants with respect to which a deduction is allowable, whether or not chargeable to capital account.

[20] The average per-barrel price of crude oil for this purpose is determined in the same manner as for purposes of the section 29 credit.

[21] In the case of an integrated oil company, the credit base includes those IDCs which the taxpayer is required to capitalize.

A qualified EOR project means any project that is located within the United States and involves the application (in accordance with sound engineering principles) of one or more qualifying tertiary recovery methods which can reasonably be expected to result in more than an insignificant increase in the amount of crude oil which ultimately will be recovered. The qualifying tertiary recovery methods generally include the following nine methods: miscible fluid displacement, steam-drive injection, microemulsion flooding, in situ combustion, polymer-augmented water flooding, cyclic-steam injection, alkaline flooding, carbonated water flooding, and immiscible non-hydrocarbon gas displacement, or any other method approved by the IRS. In addition, for purposes of the enhanced oil recovery credit, immiscible non-hydrocarbon gas displacement generally is considered a qualifying tertiary recovery method, even if the gas injected is not carbon dioxide.

A project is not considered a qualified EOR project unless the project's operator submits to the IRS a certification from a petroleum engineer that the project meets the requirements set forth in the preceding paragraph.

The enhanced oil recovery credit is effective for taxable years beginning after December 31, 1990, with respect to costs paid or incurred in EOR projects begun or significantly expanded after that date.

Conventional oil recovery methods do not recover all of a well's oil. Some of the remaining oil can be extracted by unconventional methods, but these methods are generally more costly. At current world oil prices, a large part of the remaining oil in place is uneconomic to recover by unconventional methods. In this environment, the EOR credit can increase recoverable reserves. Although recovering oil using EOR methods is more expensive than recovering it using conventional methods, it may be less expensive than producing oil from new reservoirs. Although the credit could phase out at higher oil prices, it is fully effective at present world oil prices.

Alternative minimum tax

A taxpayer is subject to an alternative minimum tax ("AMT") to the extent that its tentative minimum tax exceeds its regular income tax liability. A corporate taxpayer's tentative minimum tax generally equals 20 percent of its alternative minimum taxable income in excess of an exemption amount. (The marginal AMT rate for a noncorporate taxpayer is 26 or 28 percent, depending on the amount of its alternative minimum taxable income above an exemption amount.) Alternative minimum taxable income ("AMTI") is the taxpayer's taxable income increased by certain tax preferences and adjusted by determining the tax treatment of certain items in a manner which negates the deferral of income resulting from the regular tax treatment of those items.

As a general rule, percentage depletion deductions claimed in excess of the basis of the depletable property constitute an item of tax preference in determining the AMT. In addition, the AMTI of a corporation is increased by an amount equal to 75 percent of the amount by which adjusted current earnings ("ACE") of the corporation exceed AMTI (as determined before this adjustment). In general, ACE means AMTI with additional adjustments that generally follow the rules presently applicable to corporations in computing their earnings and profits. As a general rule a corporation must use the cost depletion method in computing its ACE adjustment. Thus, the difference between a corporation's percentage depletion deduction (if any) claimed for regular tax purposes and its allowable deduction determined under the cost depletion method is factored into its overall ACE adjustment.

Excess percentage depletion deductions related to crude oil and natural gas production are not items of tax preference for AMT purposes. In addition, corporations that are independent oil and gas producers and royalty owners may determine depletion deductions using the percentage depletion method in computing their ACE adjustments.

The difference between the amount of a taxpayer's IDC deductions and the amount which would have been currently deductible had IDC's been capitalized and recovered over a 10-year period may constitute an item of tax preference for the AMT to the extent that this amount exceeds 65 percent of the taxpayer's net income from oil and gas properties for the taxable year (the "excess IDC preference"). In addition, for purposes of computing a corporation's ACE adjustment to the AMT, IDCs are capitalized and amortized over the 60-month period beginning with the month in which they are paid or incurred. The preference does not apply if the taxpayer elects to capitalize and amortize IDCs over a 60-month period for regular tax purposes.

IDC's related to oil and gas wells are generally not taken into account in computing the excess IDC preference of taxpayers that are not integrated oil companies. This treatment does not apply, however, to the extent it would reduce the amount of the taxpayer's AMTI by more than 40 percent of the amount that the taxpayer's AMTI would have been if those IDCs had been taken into account.

In addition, for corporations other than integrated oil companies, there is no ACE adjustment for IDCs with respect to oil and gas wells. That is, such a taxpayer is permitted to use its regular tax method of writing off those IDCs for purposes of computing its adjusted current earnings.

Absent these rules, the incentive effect of the special provisions for oil and gas would be reduced for firms subject to the AMT. These rules, however, effectively eliminate AMT concerns for independent producers.

Passive activity loss and credit rules

A taxpayer's deductions from passive trade or business activities, to the extent they exceed income from all such passive activities of the taxpayer (exclusive of portfolio income), generally may not be deducted against other income.[22] Thus, for example, an individual taxpayer may not deduct losses from a passive activity against income from wages. Losses suspended under this "passive activity loss" limitation are carried forward and treated as deductions from passive activities in the following year, and thus may offset any income from passive activities generated in that later year. Losses from a passive activity may be deducted in full when the taxpayer disposes of its entire interest in that activity to an unrelated party in a transaction in which all realized gain or loss is recognized.

An activity generally is treated as passive if the taxpayer does not materially participate in it. A taxpayer is treated as materially participating in an activity only if the taxpayer is involved in the operations of the activity on a basis which is regular, continuous, and substantial.

A working interest in an oil or gas property generally is not treated as a passive activity, whether or not the taxpayer materially participates in the activities related to that property. This exception from the passive activity rules does not apply if the taxpayer holds the working interest through an entity which limits the liability of the taxpayer with respect to the interest. In addition, if a taxpayer has any loss for any taxable year from a working interest in an oil or gas property which is treated pursuant to this working interest exception as a loss which is not from a passive activity, then any net income from such property (or any property the basis of which is determined in whole or in part by reference to the basis of such property) for any succeeding taxable year is treated as income of the taxpayer which is not from a passive activity.

Similar limitations apply to the utilization of tax credits attributable to passive activities. Thus, for example, the passive activity rules (and, consequently, the oil and gas working interest exception to those rules) apply to the nonconventional fuels production credit and the enhanced oil recovery credit. However, if a taxpayer has net income from a working interest in an oil and gas property which is treated as not arising from a passive activity, then any tax credits attributable to the interest in that property would be treated as credits not from a passive activity (and, thus, not subject to the passive activity credit limitation) to the extent that the amount of the credits does not exceed the regular tax liability which is allocable to such net income.

As a result of this exception from the passive loss limitations, owners of working interests in oil and gas properties may use losses from such interests to offset income from other sources.

Tertiary injectants

Taxpayers are allowed to deduct the cost of qualified tertiary injectant expenses for the taxable year. Qualified tertiary injectant expenses are amounts paid or incurred for any tertiary injectant (other than recoverable hydrocarbon injectants) which is used as a part of a tertiary recovery method.

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[22] This provision applies to individuals, estates, trusts, personal service corporations, and closely held C corporations.

The provision allowing the deduction for qualified tertiary injectant expenses resolves a disagreement between taxpayers (who considered such costs to be IDCs or operating expenses) and the IRS (which considered such costs to be subject to capitalization).

ATTACHMENTS: NEPD GROUP REPORT PROPOSALS

Extend and Modify Credit for Fuel Produced from Landfill Methane

Current Law

Taxpayers that produce gas from biomass (including landfill methane) are eligible for a tax credit ("the section 29 credit") equal to $3 per barrel-of-oil equivalent. For this purpose, a barrel-of-oil equivalent is the amount of gas that has a Btu (British thermal unit) content of 5.8 million. To qualify for the credit, the gas must be produced domestically from a facility placed in service by the taxpayer before July 1, 1998, pursuant to a written binding contract in effect before January 1, 1997. In addition, the gas must be sold to an unrelated person before January 1, 2008.

The amount of the section 29 credit generally is adjusted by an inflation adjustment factor for the calendar year in which the sale occurs. The inflation adjustment factor for the 2000 taxable year was 2.0454, and the inflation-adjusted amount of the credit for that year was $6.14 per barrel or barrel equivalent. The credit begins to phase out if the annual average unregulated wellhead price per barrel of domestic crude oil exceeds $23.50 multiplied by the inflation adjustment factor. For 2000, the inflation adjusted threshold for onset of the phaseout was $48.07 ($23.50 x 2.0454) and the average wellhead price for that year was $26.73.

The amount of the section 29 credit allowable with respect to a project is reduced by any unrecaptured business energy tax credit or enhanced oil recovery credit claimed with respect to such project.

The section 29 credit may not be used to offset alternative minimum tax liability. Any unused section 29 credit generally may not be carried back or forward to another taxable year; however, a taxpayer receives a credit for prior year minimum tax liability to the extent that a section 29 credit is disallowed as a result of the operation of the alternative minimum tax. The credit is limited to what would have been the regular tax liability but for the alternative minimum tax.

Reasons for Change

The tax credit helps make fuel produced from landfill methane competitive with other fuels. Extending the credit would continue the important contribution of this renewable energy source to the Nation's long-term energy supply.

Proposal

The credit would be allowed for fuel produced from landfill methane if the fuel is produced from a facility (or portion of a facility) placed in service after December 31, 2001, and before January 1, 2011, and is sold (or used to produce electricity that is sold) before January 1, 2011. The credit for fuel produced at landfills subject to EPA's 1996 New Source Performance Standards/Emissions Guidelines would be limited to two-thirds of the otherwise applicable amount beginning on January 1, 2008, if any portion of the facility for producing fuel at the landfill was placed in service before July 1, 1998, and beginning on January 1, 2002, in all other cases. The proposal would clarify, for purposes of determining the extent to which a facility is placed in service after December 31, 2001, that the facility includes the wells, pipes, and related components used to collect landfill methane and that only production attributable to wells, pipes, and related components placed in service after December 31, 2001, is treated as produced from the portion of the facility placed in service after that date.

Extension of Tax Incentives for Ethanol

Current Law

Current law provides an income tax credit and an excise tax exemption for ethanol and renewable source methanol used as a fuel. In general, the income tax credit for ethanol is 53 cents per gallon, but small ethanol producers (i.e., those producing less than 30 million gallons of ethanol per year) qualify for a credit of 63 cents per gallon on the first 15 million gallons of ethanol produced in a year. A credit of 60 cents per gallon is allowed for renewable source methanol.

As an alternative to the income tax credit, gasohol blenders may claim a gasoline tax exemption of 53 cents for each gallon of ethanol and 60 cents for each gallon of renewable source methanol that is blended into qualifying gasohol.

The income tax credit expires on December 31, 2007, and the excise tax exemption expires on September 30, 2007. In addition, the ethanol credit and exemption are each reduced by 1 cent per gallon in 2003 and by an additional 1 cent per gallon in 2005. Neither the credit nor the exemption applies during any period in which motor fuel taxes dedicated to the Highway Trust Fund are limited to 4.3 cents per gallon. Under current law, the motor fuel tax dedicated to the Highway Trust Fund will be limited to 4.3 cents per gallon beginning on October 1, 2005.

Reasons for Change

The tax credit and excise tax exemption help make ethanol and renewable source methanol competitive with other fuels. Extending the credit and exemption would continue the important contribution of these renewable energy sources to the Nation's long-term energy supply.

Proposal

The income tax credit and the excise tax exemption would be extended through December 31, 2010. The current law rule providing that neither the credit nor the exemption applies during any period in which motor fuel taxes dedicated to the Highway Trust Fund are limited to 4.3 cents per gallon would be retained. As under current law, the credit and the exemption would each be reduced by 1 cent per gallon in 2003 and by an additional 1 cent per gallon in 2005.

Provide Tax Credit for Certain Hybrid and Fuel Cell Vehicles

Current Law

No generally available income tax credit for purchases of hybrid vehicles is available currently. A 10-percent tax credit is provided for the cost of a qualified electric vehicle, up to a maximum credit of $4,000. A qualified electric vehicle is a motor vehicle that is powered primarily by an electric motor drawing current from rechargeable batteries, fuel cells, or other portable sources of electric current, the original use of which commences with the taxpayer, and that is acquired for use by the taxpayer and not for resale. The full amount of the credit is available for purchases prior to 2002. The credit begins to phase down in 2002 and does not apply to vehicles placed in service after 2004.

Certain costs of qualified clean-fuel property, including clean-fuel vehicles, may be deducted when such property is placed in service. Qualified electric vehicles do not qualify for the clean-fuel vehicle deduction. The deduction begins to phase down in 2002 and does not apply to property placed in service after 2004.

Reasons for Change

The transportation sector now accounts for 67 percent of U.S. oil consumption. Cars, sport utility vehicles, light trucks, and minivans alone account for 40 percent of U.S. oil consumption, about 20 to 40 percent of all urban smog-forming emissions and 20 percent of greenhouse gas emissions. Almost all of these vehicles use a single gasoline-fueled engine.

Hybrid vehicles, which have more than one source of power on board the vehicle, and electric vehicles have the potential to reduce petroleum consumption, air pollution, and greenhouse gas emissions. The proposed credits will encourage the purchase of highly fuel efficient vehicles that incorporate advanced automotive technologies and will help to move hybrid and fuel cell vehicles from the laboratory to the highway. These vehicles can significantly reduce oil consumption, emissions of air pollutants, and emissions of carbon dioxide, the most prevalent greenhouse gas.

Proposal

The proposal would provide temporary tax credits for certain hybrid and fuel cell vehicles:

(1) Credit for qualified hybrid vehicles. A credit, of up to $4,000, would be available for purchases of qualified hybrid vehicles after December 31, 2001, and before January 1, 2008. The credit would be:

(a) $250 if the rechargeable energy storage system provides at least 5 percent but less than 10 percent of the maximum available power;

(b) $500 if the rechargeable energy storage system provides at least 10 percent and less than 20 percent of the maximum available power;

(c) $750 if the rechargeable energy storage system provides at least 20 percent and less than 30 percent of the maximum available power; and

(d) $1,000 if the rechargeable energy storage system provides 30 percent or more of the maximum available power.

If the vehicle's fuel economy exceeds the 2000 model year city fuel economy, the amount of credit shown in (a) through (d) above would be increased by the following amounts:

(i) $500 if the vehicle achieves at least 125 percent but less than 150 percent of the 2000 model year city fuel economy;

(ii) $1,000 if the vehicle achieves at least 150 percent but less than 175 percent of the 2000 model year city fuel economy;

(iii) $1,500 if the vehicle achieves at least 175 percent but less than 200 percent of the 2000 model year city fuel economy;

(iv) $2,000 if the vehicle achieves at least 200 percent but less than 225 percent of the 2000 model year city fuel economy;

(v) $2,500 if the vehicle achieves at least 225 percent but less than 250 percent of the 2000 model year city fuel economy; and

(vi) $3,000 if the vehicle achieves at least 250 percent of the 2000 model year city fuel economy.

(2) Credit for qualified fuel cell vehicles. A credit of up to $8,000 would be available for the purchase of new qualified fuel cell vehicles after December 31, 2001, and before January 1, 2008. The credit would be $4,000, but, if the vehicle's fuel economy exceeds the 2000 model year city fuel economy, the credit would increase by the following amounts:

(i) $1,000 if the vehicle achieves at least 150 percent but less than 175 percent of the 2000 model year city fuel economy;

(ii) $1,500 if the vehicle achieves at least 175 percent but less than 200 percent of the 2000 model year city fuel economy;

(iii) $2,000 if the vehicle achieves at least 200 percent but less than 225 percent of the 2000 model year city fuel economy;

(iv) $2,500 if the vehicle achieves at least 225 percent but less than 250 percent of the 2000 model year city fuel economy;

(v) $3,000 if the vehicle achieves at least 250 percent but less than 275 percent of the 2000 model year city fuel economy;

(vi) $3,500 if the vehicle achieves at least 275 percent but less than 300 percent of the 2000 model year city fuel economy; and

(vii) $4,000 if the vehicle achieves at least 300 percent of the 2000 model year city fuel economy.

The 2000 model year city fuel economy would be the following:

If the vehicle inertia weight class is:	The 2000 model year city fuel economy is: For a passenger automobile:	For a light truck:
1,500 or 1,750 lbs	43.7 mpg	37.6 mpg
2,000 lbs	38.3 mpg	33.7 mpg
2,250 lbs	34.1 mpg	30.6 mpg
2,500 lbs	30.7 mpg	28.0 mpg
2,750 lbs	27.9 mpg	25.9 mpg
3,000 lbs	25.6 mpg	24.1 mpg
3,500 lbs	22.0 mpg	21.3 mpg
4,000 lbs	19.3 mpg	19.0 mpg
4,500 lbs	17.2 mpg	17.3 mpg
5,000 lbs	15.5 mpg	15.8 mpg
5,500 lbs	14.1 mpg	14.6 mpg
6,000 lbs	12.9 mpg	13.6 mpg
6,500 lbs	11.9 mpg	12.8 mpg
7,000 or 8,500 lbs	11.1 mpg	12.0 mpg

The "vehicle inertia weight class" is defined in regulations prescribed by the Environmental Protection Agency for purposes of title II of the Clean Air Act.

A qualifying hybrid vehicle is a motor vehicle that draws propulsion energy from on-board sources of stored energy which are both: (1) an internal combustion engine or heat engine using combustible fuel, and (2) a rechargeable energy storage system. A qualifying fuel cell vehicle is a motor vehicle that is propelled by power derived from one or more cells which convert chemical energy directly into electricity by combining oxygen with hydrogen fuel which is stored on board the vehicle and may or may not require reformation prior to use. A qualifying vehicle must meet all applicable regulatory requirements.

Maximum available power means the maximum value available from the battery or other energy storage device, during a standard power test, divided by the sum of the battery or other energy storage device and the SAE net power of the heat engine.

These credits would be available for all qualifying light vehicles including cars, minivans, sport utility vehicles, and light trucks. Taxpayers would be able to claim only one of the credits per vehicle and taxpayers who claim either credit would not be able to claim the qualified electric vehicle credit or the deduction for clean-fuel vehicle property for the same vehicle. Business taxpayers claiming either credit would be subject to the limitations on the general business credit and would be required to reduce the basis of the vehicle by the amount of the credit.

Investment Credit for Combined Heat and Power (CHP) Systems

Current law

Combined heat and power (CHP) systems are used to produce electricity (and/or mechanical power) and usable thermal energy from a single primary energy source. Depreciation allowances for CHP property vary by asset use and capacity. Assets employed in the production of electricity used by the taxpayer in an industrial manufacturing process or plant activity (and not ordinarily available for sale to others) have a general cost recovery period of 15 years if rated with total capacity in excess of 500 kilowatts. Electricity production assets of lesser-rated capacity generally are classified with other manufacturing assets and have cost recovery periods of five to ten years. Assets used in the production of electricity for sale have either a 15-year or 20-year recovery period. For assets that are structural components of buildings, however, the recovery period is either 39 years (if nonresidential) or 27.5 years (if residential), and the straight-line method for computing depreciation allowances must be used. For assets with recovery periods of 10 years or less, the 200 percent declining balance method may be used to compute depreciation allowances. The 150 percent declining balance method may be used for assets with recovery periods of 15 or 20 years. No income tax credit is provided currently for investment in combined heat and power property.

Reasons for change

Combined heat and power systems utilize thermal energy that is otherwise wasted in producing electricity by more conventional methods. CHP systems achieve a greater level of overall energy efficiency, and thereby lessen the consumption of primary fossil fuels, lower total energy costs, and reduce carbon emissions. An investment tax credit for CHP assets is expected to encourage increased energy efficiency by accelerating planned investments and inducing additional investments in such systems. The increased demand for CHP equipment should, in turn, reduce CHP production costs and spur additional technological innovation in improved CHP systems.

Proposal

The proposal would establish a 10-percent investment credit for qualified CHP systems with an electrical capacity in excess of 50 kilowatts or with a capacity to produce mechanical power in excess of 67 horsepower (or an equivalent combination of electrical and mechanical energy capacities). CHP property would be defined as property comprising a system that uses the same energy source for the simultaneous or sequential generation of (1) electricity or mechanical shaft power (or both) and (2) steam or other forms of useful thermal energy (including heating and cooling applications). A qualified CHP system would be required to produce at least 20 percent of its total useful energy in the form of thermal energy and at least 20 percent of its total useful energy in the form of electrical or mechanical power (or a combination thereof) and would also be required to satisfy an energy-efficiency standard. For CHP systems with an electrical capacity in excess of 50 megawatts (or a mechanical energy capacity in excess of 67,000 horsepower), the total energy efficiency of the system would have to exceed 70 percent. For smaller systems, the total energy efficiency would have to exceed 60 percent. For this purpose, total energy efficiency would be calculated as the sum of the useful electrical, thermal, and mechanical power produced by the system at normal operating rates, measured on a Btu basis, divided by the lower heating value of the primary fuel source for the system supplied. The credit would be allowed with respect to qualified CHP property only if its eligibility is verified under regulations prescribed by the Secretary of the Treasury.

Investments in qualified CHP assets that are otherwise assigned cost recovery periods of less than 15 years would be eligible for the credit, provided that the taxpayer elected to treat such property as having a 22-year class life. Thus, regular tax depreciation allowances would be calculated using a 15-year recovery period and the 150 percent declining balance method.

The credit would be treated as an energy credit under the investment credit component of the section 38 general business credit, and would be subject to the rules and limitations governing that credit. Taxpayers using the credit for CHP equipment would not be entitled to any other tax credit for the same equipment.

The credit would apply to investments in CHP equipment placed in service after December 31, 2001, but before January 1, 2007.

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
July 18, 2001

Contact: Office of Financing
202-691-3550

**TREASURY'S INFLATION-INDEXED SECURITIES
AUGUST 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 August for the following Treasury inflation-indexed securities:

(1) 3-3/8% 10-year notes due January 15, 2007
(2) 3-5/8% 5-year notes due July 15, 2002
(3) 3-5/8% 10-year notes due January 15, 2008
(4) 3-5/8% 30-year bonds due April 15, 2028
(5) 3-7/8% 10-year notes due January 15, 2009
(6) 3-7/8% 30-year bonds due April 15, 2029
(7) 4-1/4% 10-year notes due January 15, 2010
(8) 3-1/2% 10-year notes due January 15, 2011

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 480. The information is also available on the Internet at Public Debt's website (http://www.publicdebt.treas.gov).

The information for September is expected to be released on August 16, 2001.

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Attachment

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
August 2001

Security:		3-7/8% 10-Year Notes	3-7/8% 30-Year Bonds	4-1/4% 10-Year Notes	3-1/2% 10-Year Notes
Description:		Series A-2009	Bonds of April 2029	Series A-2010	Series A-2011
CUSIP Number:		9128274Y5	912810FH6	9128275W8	9128276R8
Dated Date:		January 15, 1999	April 15, 1999	January 15, 2000	January 15, 2001
Original Issue Date:		January 15, 1999	April 15, 1999	January 18, 2000	January 16, 2001
Additional Issue Date(s):		July 15, 1999	October 15, 1999 October 15, 2000	July 15, 2000	July 16, 2001
Maturity Date:		January 15, 2009	April 15, 2029	January 15, 2010	January 15, 2011
Ref CPI on Dated Date:		164.00000	164.39333	168.24516	174.04516
Date	Ref CPI	Index Ratio	Index Ratio	Index Ratio	Index Ratio
Aug. 1 2001	177.70000	1.08354	1.08094	1.05620	1.02100
Aug. 2 2001	177.70968	1.08360	1.08100	1.05625	1.02105
Aug. 3 2001	177.71935	1.08365	1.08106	1.05631	1.02111
Aug. 4 2001	177.72903	1.08371	1.08112	1.05637	1.02117
Aug. 5 2001	177.73871	1.08377	1.08118	1.05643	1.02122
Aug. 6 2001	177.74839	1.08383	1.08124	1.05648	1.02128
Aug. 7 2001	177.75806	1.08389	1.08130	1.05654	1.02133
Aug. 8 2001	177.76774	1.08395	1.08136	1.05660	1.02139
Aug. 9 2001	177.77742	1.08401	1.08142	1.05666	1.02144
Aug. 10 2001	177.78710	1.08407	1.08147	1.05671	1.02150
Aug. 11 2001	177.79677	1.08413	1.08153	1.05677	1.02156
Aug. 12 2001	177.80645	1.08419	1.08159	1.05683	1.02161
Aug. 13 2001	177.81613	1.08424	1.08165	1.05689	1.02167
Aug. 14 2001	177.82581	1.08430	1.08171	1.05694	1.02172
Aug. 15 2001	177.83548	1.08436	1.08177	1.05700	1.02178
Aug. 16 2001	177.84516	1.08442	1.08183	1.05706	1.02183
Aug. 17 2001	177.85484	1.08448	1.08189	1.05712	1.02189
Aug. 18 2001	177.86452	1.08454	1.08194	1.05717	1.02194
Aug. 19 2001	177.87419	1.08460	1.08200	1.05723	1.02200
Aug. 20 2001	177.88387	1.08466	1.08206	1.05729	1.02206
Aug. 21 2001	177.89355	1.08472	1.08212	1.05735	1.02211
Aug. 22 2001	177.90323	1.08478	1.08218	1.05740	1.02217
Aug. 23 2001	177.91290	1.08483	1.08224	1.05746	1.02222
Aug. 24 2001	177.92258	1.08489	1.08230	1.05752	1.02228
Aug. 25 2001	177.93226	1.08495	1.08236	1.05758	1.02233
Aug. 26 2001	177.94194	1.08501	1.08242	1.05763	1.02239
Aug. 27 2001	177.95161	1.08507	1.08247	1.05769	1.02245
Aug. 28 2001	177.96129	1.08513	1.08253	1.05775	1.02250
Aug. 29 2001	177.97097	1.08519	1.08259	1.05781	1.02256
Aug. 30 2001	177.98065	1.08525	1.08265	1.05786	1.02261
Aug. 31 2001	177.99032	1.08531	1.08271	1.05792	1.02267

CPI-U (NSA) for : April 2001 176.9 May 2001 177.7 June 2001 178.0

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
August 2001

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(s):	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
Aug. 1 2001	177.70000	1.12159	1.10955	1.09994	1.09868
Aug. 2 2001	177.70968	1.12165	1.10961	1.10000	1.09874
Aug. 3 2001	177.71935	1.12171	1.10967	1.10006	1.09880
Aug. 4 2001	177.72903	1.12178	1.10973	1.10012	1.09886
Aug. 5 2001	177.73871	1.12184	1.10979	1.10018	1.09892
Aug. 6 2001	177.74839	1.12190	1.10985	1.10024	1.09898
Aug. 7 2001	177.75806	1.12196	1.10991	1.10030	1.09904
Aug. 8 2001	177.76774	1.12202	1.10997	1.10036	1.09910
Aug. 9 2001	177.77742	1.12208	1.11003	1.10042	1.09916
Aug. 10 2001	177.78710	1.12214	1.11010	1.10048	1.09922
Aug. 11 2001	177.79677	1.12220	1.11016	1.10054	1.09928
Aug. 12 2001	177.80645	1.12226	1.11022	1.10060	1.09934
Aug. 13 2001	177.81613	1.12233	1.11028	1.10065	1.09939
Aug. 14 2001	177.82581	1.12239	1.11034	1.10071	1.09945
Aug. 15 2001	177.83548	1.12245	1.11040	1.10077	1.09951
Aug. 16 2001	177.84516	1.12251	1.11046	1.10083	1.09957
Aug. 17 2001	177.85484	1.12257	1.11052	1.10089	1.09963
Aug. 18 2001	177.86452	1.12263	1.11058	1.10095	1.09969
Aug. 19 2001	177.87419	1.12269	1.11064	1.10101	1.09975
Aug. 20 2001	177.88387	1.12275	1.11070	1.10107	1.09981
Aug. 21 2001	177.89355	1.12281	1.11076	1.10113	1.09987
Aug. 22 2001	177.90323	1.12287	1.11082	1.10119	1.09993
Aug. 23 2001	177.91290	1.12294	1.11088	1.10125	1.09999
Aug. 24 2001	177.92258	1.12300	1.11094	1.10131	1.10005
Aug. 25 2001	177.93226	1.12306	1.11100	1.10137	1.10011
Aug. 26 2001	177.94194	1.12312	1.11106	1.10143	1.10017
Aug. 27 2001	177.95161	1.12318	1.11112	1.10149	1.10023
Aug. 28 2001	177.96129	1.12324	1.11118	1.10155	1.10029
Aug. 29 2001	177.97097	1.12330	1.11124	1.10161	1.10035
Aug. 30 2001	177.98065	1.12336	1.11130	1.10167	1.10041
Aug. 31 2001	177.99032	1.12342	1.11136	1.10173	1.10047

CPI-U (NSA) for :	April 2001	176.9	May 2001	177.7	June 2001	178.0

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
July 16, 2001

Contact: Tara Bradshaw
(202) 622-2960

WILLIAM F. SWEETNAM, JR NAMED BENEFITS TAX COUNSEL

William F. Sweetnam, Jr. was named Benefits Tax Counsel on July 2, 2001, replacing J. Mark Iwry, who had been Benefits Tax Counsel since 1995. He joined the Office of Tax Policy as an Associate Benefits Tax Counsel in April. As part of the Office of the Benefits Tax Counsel, Sweetnam is responsible for providing Assistant Secretary (Tax Policy) Mark Weinberger with policy analysis and advice on all aspects of employee benefits taxation and related matters including qualified retirement plans, Employee Stock Ownership Plans, employee welfare plans, health and long term care benefits, social security taxes, and executive compensation. Sweetnam was the Treasury's primary contact with Congress with regard to the IRA and pension provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001.

Prior to his appointment, Sweetnam was Tax Counsel with the Majority Staff of the U.S. Senate Committee on Finance, responsible for issues dealing with retirement plans and other retirement savings vehicles (such as IRAs), medical and other employee benefits, compensation matters, insurance, and tax-exempt organizations. Prior to his service with the Committee, Sweetnam was a technical consultant in the Vahalla, New York, office of Towers Perin, an internationally-based benefit and compensation consulting firm. He previously was Chief Counsel, Tax and ERISA at Sunoco, Inc., an energy company headquartered in Philadelphia.

Sweetnam is a graduate of Rutgers University and holds a J.D. degree from Fordham University School of Law. He is a member of the New York and Pennsylvania Bar. As author of a several articles, including Statutory Stock Options, BNA Tax Portfolio No. 381 (1991), Sweetnam is a frequent speaker and lecturer on employee benefits issues. Sweetnam resides in the District of Columbia.

-30-

PO-481

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
July 16, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	July 19, 2001
Maturity Date:	October 18, 2001
CUSIP Number:	912795HS3

High Rate: 3.550% Investment Rate 1/: 3.630% Price: 99.103

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 75.70%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 34,048,696	$ 13,463,766
Noncompetitive	1,321,256	1,321,256
FIMA (noncompetitive)	215,000	215,000
SUBTOTAL	35,584,952	15,000,022 2/
Federal Reserve	5,196,769	5,196,769
TOTAL	$ 40,781,721	$ 20,196,791

Median rate 3.530%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.510%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 35,584,952 / 15,000,022 = 2.37

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,027,885,000

http://www.publicdebt.treas.gov

PO-482

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
July 16, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	July 19, 2001
Maturity Date:	January 17, 2002
CUSIP Number:	912795JC6

High Rate: 3.490%   Investment Rate 1/: 3.601%   Price: 98.236

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 99.91%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 27,746,417	$ 11,523,987
Noncompetitive	1,476,078	1,476,078
SUBTOTAL	29,222,495	13,000,065 2/
Federal Reserve	5,364,246	5,364,246
TOTAL	$ 34,586,741	$ 18,364,311

Median rate 3.470%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.450%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

BID-TO-COVER RATIO = 29,222,495 / 13,000,065 = 2.25
NO FIMA NONCOMPETITIVE BIDS WERE TENDERED IN TODAY'S AUCTION.

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,176,861,000

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

U.S. International Reserve Position 07/17/01

The Treasury Department today released U.S. reserve assets data for the week ending July 13, 2001. As indicated in this table, U.S. reserve assets totaled \$65,002 million as of July 13, 2001, up from \$64,693 million as of July 6, 2001.

(in US millions)

I. Official U.S. Reserve Assets		July 6, 2001			July 13, 2001	
TOTAL		64,693			65,002	
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	5,085	11,219	16,304	5,128	10,565	15,692
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	8,607	3,787	12,394	8,677	4,574	13,251
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			14,545			*14,581*
3. Special Drawing Rights (SDRs) [2]			10,407			*10,433*
4. Gold Stock [3]			11,044			11,044
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for July 6 are final. The entries in the table above for July 13 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at \$42.2222 per fine troy ounce. Values shown are as of May 31, 2001. The April 30, 2001 value was \$11,046 million.

PO-484

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets

	July 6, 2001	July 13, 2001
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets

	July 6, 2001	July 13, 2001
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
July 17, 2001

Contact: Peter Hollenbach
(202) 691-3502

BUREAU OF THE PUBLIC DEBT AIDS SAVINGS BONDS OWNERS AFFECTED BY FLOODING IN TAZEWELL COUNTY, VIRGINIA

The Bureau of Public Debt took action to assist victims of severe weather in Tazewell County, Virginia by expediting the replacement or payment of United States Savings Bonds for owners in the area. The emergency procedures are effective immediately for paying agents and owners in Tazewell County, Virginia affected by the flooding. These procedures will remain in effect through August 31, 2001.

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. 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 Richmond Federal Reserve Bank's Savings Bond Customer Service Department, 701 East Byrd Street, Richmond, Virginia 23219; phone (804) 697-8370. 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 Office of Investor Services, 200 Third St., Parkersburg, West Virginia 26106-1328. Bond owners should write the word "DISASTER" on the front of their envelopes, to help expedite the processing of claims.

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PO-485

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:00 P.M.
Wednesday, July 18, 2001

Contact: Tara Bradshaw
(202) 622-2960

STATEMENT OF PAUL H. O'NEILL BEFORE THE SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OECD HARMFUL TAX PRACTICES INITIATIVE

Mr. Chairman, Senator Collins, and members of the Subcommittee, I appreciate this opportunity to discuss the position of the United States with respect to the OECD harmful tax practices initiative. This detailed statement will cover all the specific issues regarding the OECD initiative that Chairman Levin asked me to address in his June 29th letter.

As I have stated previously, when I took my oath of office as Secretary in January, I pledged faithfully to execute the laws of the United States. We have an obligation to enforce our tax laws because failing to do so undermines the confidence of honest taxpaying Americans in the fairness of our tax system. At the same time, we should not presume to interfere with the internal tax policy decisions of sovereign nations. Based on these two fundamental principles, I have concluded that the United States should attempt to refocus the OECD project on its core element: the need for countries to be able to obtain specific information from other countries upon request in order to prevent noncompliance with their tax laws.

Extent of tax evasion through use of offshore accounts or entities

It is impossible to quantify precisely the extent to which U.S. taxpayers are using offshore entities or secret bank accounts – the facilities of tax haven jurisdictions – to evade their U.S. tax obligations. Such taxpayers obviously do not report the extent of their noncompliance with U.S. tax laws, and it is difficult to obtain anything other than anecdotal information with respect to such activity.

However, based on this anecdotal information, I believe that the potential for such evasion is significant. For example, the cases involving a bank in the Cayman Islands run by John Mathewson highlight the opportunities available to U.S. taxpayers to evade their U.S. tax obligations through the use of offshore bank accounts.

PO-486

According to Mr. Mathewson, over 95 percent of the more than 1,000 depositors in his bank were U.S. citizens, and the bank had over $150 million in its accounts when it was shut down in 1995. The IRS has to-date obtained tax evasion convictions on, and collected substantial back taxes from, over 20 of Mr. Mathewson's clients. The IRS was able to demonstrate this evasion only because of Mr. Mathewson's extraordinary cooperation. Without it – and because we do not have an information exchange agreement with the Cayman Islands – this large-scale tax evasion would have gone unpunished.

I should note that the United States and the Cayman Islands have been discussing new legal mechanisms to provide for effective exchange of information, and that the Cayman Islands is one of the jurisdictions that has made a commitment to implement effective information exchange procedures in connection with the OECD harmful tax practices initiative.

The use of offshore entities or accounts by U.S. taxpayers to evade their tax obligations is likely to increase because of trends that are unlikely to be reversed, including the increasing solicitation of U.S. taxpayers by offshore banks through the Internet and the ease of access to offshore funds through electronic banking and account-linked credit cards, which may allow significant fund transfers that do not create a paper trail. The primary obstacle to enforcement of our tax laws in these cases remains the unwillingness of jurisdictions to enter into effective information exchange agreements with the United States that would provide us with access to critically important information in cases involving suspected tax cheats.

For example, in connection with a recent tax investigation, IRS examiners suspected that an offshore International Business Corporation (IBC) and its offshore bank account were being used by a U.S. taxpayer to evade the taxpayer's U.S. tax obligations. The IRS could not obtain the shareholder and bank account information needed to prove this because there was no treaty or agreement in place that allowed the exchange of taxpayer information with the jurisdiction in which the IBC was established. Put simply, jurisdictions with strict bank secrecy rules and a resistance to cooperate in tax matters facilitate the evasion of U.S. tax.

U.S. efforts to address tax evasion

The United States employs a multi-prong strategy to enforce our tax laws. First and foremost, we undertake significant unilateral efforts to combat tax evasion. For example, we presently are engaged in a multifaceted effort to address the problem of fraudulent tax schemes, many of which employ offshore entities or secret bank accounts. The IRS estimates that there are thousands of Internet sites with information relating to methods for evading U.S. tax obligations. Our approach is to educate the general public to avoid these scams and to take civil and criminal enforcement action against those who use them and those who promote them.

While we do everything we can ourselves to address tax evasion, we can be more effective with the cooperation of other countries. When the United States suspects that a particular taxpayer is evading U.S. tax laws through the use of offshore entities or secret bank accounts, we sometimes need information from another country to address that situation. The United States has been more successful than any other country in negotiating and implementing tax information exchange agreements.

Our tax information exchange agreement program was initiated in 1983 to encourage the entry into these agreements by jurisdictions with which we would not conclude comprehensive income tax treaties – typically low or no tax jurisdictions for which the provisions in a comprehensive treaty addressing issues of double taxation are not necessary. The United States has tax information exchange agreements with five of the jurisdictions identified as tax havens by the OECD in June 2000, as well as with another jurisdiction that made a commitment with respect to the OECD initiative and was not included in the June 2000 list. Most other OECD countries do not have information exchange relationships with any of the identified jurisdictions.

At present, the United States has over 60 bilateral tax treaties and agreements that provide for information exchange. The information exchange provisions in these agreements are consistent with, and have served as a significant resource in the development of, international standards with respect to information exchange. The United States frequently is able to prosecute taxpayers for tax evasion because of information obtained from other countries. Further, the fact that the United States may be able to obtain information from a foreign country when we have reason to suspect noncompliance helps to deter taxpayers from attempting to evade tax through entities or accounts in that country.

The United States, however, has been unable to develop information exchange relationships with some jurisdictions that are significant financial centers. Some jurisdictions simply are not interested in cooperating in this regard. Other jurisdictions are wary of agreeing to effective tax information exchange with the United States unless competing offshore financial centers enter into similar agreements. Working with the OECD and other OECD member countries on the development of a framework for reaching information exchange agreements with these jurisdictions may indeed prove fruitful.

In order to effectively enforce our own tax laws, it is critical that we are able to obtain the cooperation we need from other countries. The OECD initiative has the potential to advance the interests of the United States in this regard. This objective is too important to allow the OECD project to stray into other areas that could distract from or hinder success in this objective. In my view, the OECD initiative has the greatest chance of enhancing the ability of the United States to enforce our tax laws if it is focused on its core element: the need for countries to be able to obtain specific information from other countries upon request in order to prevent noncompliance with their tax laws.

History of the OECD project

The OECD harmful tax practices initiative began in 1998 with the publication by the OECD of a report that set out criteria to attempt to identify so-called "harmful tax practices" and provided a framework for future work to address such practices. Part of that framework was the establishment of a subsidiary OECD body called the Forum on Harmful Tax Practices, which was co-chaired by the United States from October 1998 until October 2000. The United States also has been one of four members of the Forum's steering group, called the Bureau to the Forum, from October 1998 up to and including the present.

The 1998 OECD Report, and a follow-up report issued in June 2000, contained rhetoric that implicated fundamental internal tax policy decisions of countries within and outside the OECD, including decisions regarding tax rates. The Reports enumerated the harms potentially caused by "tax havens or harmful preferential regimes that drive the effective tax rate levied on income from the mobile activities significantly below rates in other countries." Tax systems that "redirect capital and financial flows and the corresponding revenue from" other countries were condemned as "poaching" the rightful tax base of the other countries, even though such systems may simply provide a more attractive investment climate without facilitating noncompliance with the tax laws of any other country.

The two OECD reports take a notably condemnatory tone with respect to the issues addressed, and the advocacy of internationally coordinated action against targeted countries represents an approach that is more aggressive than is typical for the OECD.

The OECD's technical work on harmful tax practices has proceeded on three tracks since 1998:

- The identification and elimination of harmful tax practices within OECD member countries;

- The elimination of such practices in identified tax haven jurisdictions; and

- Outreach to other non-OECD jurisdictions, with the goal that such jurisdictions eventually eliminate their own harmful tax practices.

The 2000 OECD Report identified 35 so-called "tax haven" jurisdictions. Under the criteria established in the 1998 OECD Report, a tax haven is a jurisdiction that imposes no or nominal direct taxes on financial or other mobile services income *and* also meets one of three other criteria: (1) its regimes lack transparency; (2) it does not engage in effective information exchange; or (3) its regimes facilitate the establishment of entities with no substantial activities. The 2000 Report also identified 47 "potentially" harmful preferential tax regimes in OECD member countries. A harmful preferential regime is a regime that provides for low or no taxation of financial or other mobile services income *and* also meets one of three other criteria: (1) the regime lacks transparency; (2) the country does not engage in effective information exchange with respect to taxpayers utilizing the regime; or (3) the regime is "ring fenced" (as described below).

The 2000 Report provided a one-year period for the identified tax havens to enter into commitments to eliminate (by the end of 2005) their harmful tax practices. The 2000 Report also provided that jurisdictions that do not make such commitments will be included on a list of "uncooperative" tax haven jurisdictions to be published in July 2001. The report anticipated that the OECD would recommend that OECD member countries implement a coordinated framework of "defensive measures" against the jurisdictions that are listed as "uncooperative."

Concerns about the OECD project

On February 17th, following a meeting of G7 Finance Ministers in Palermo, I indicated that certain aspects of the OECD project were under review by the Administration. I was troubled by the notion that any country, or group of countries, should interfere in any other country's decisions about how to structure its own tax system. I felt that it was not in the interest of the United States to stifle tax competition that forces governments – like businesses – to create efficiencies. I also was concerned about the potentially unfair treatment of some non-OECD countries, with regard to both the deadlines to which they were being subjected and the uncertainty created by the lack of clarity with respect to the application of the "no substantial activities" criterion. This perceived unfairness seemed to be contributing to the difficulty in obtaining commitments from most of the identified jurisdictions. I was particularly troubled because these aspects of the project did not relate to what appeared to be a critical – and attainable – objective of the OECD' s work: the establishment of a framework for reaching information exchange agreements with countries that have shown little interest in cooperating with other countries on tax matters in the past. Indeed, these aspects distracted from and interfered with the achievement of that objective.

Our review of the OECD project has been guided by two fundamental principles. First, we must do everything that we can to enforce our own tax laws, including working to obtain needed information that is in the hands of other countries. Second, we will not interfere in the internal tax policy decisions of other countries. These principles led me to conclude that the United States should attempt to refocus the OECD initiative on its core element: the need for countries to be able to obtain specific information from other countries upon request in order to prevent noncompliance with their tax laws.

Recent developments with respect to the OECD tax haven work

I am happy to report that, together with other OECD member countries, we have made substantial progress in focusing the initiative on its core element of effective information exchange and in addressing aspects of the initiative that seemed unfair to non-OECD countries.

Treasury representatives have worked with their counterparts from other OECD countries through the OECD process and have been able to obtain agreement to significant modifications to the work with respect to tax haven jurisdictions. The recent discussions regarding the OECD project focused on the portion of the work relating to tax haven jurisdictions because that work was facing immediate decision points and deadlines. The modifications recently agreed to at the OECD were noted in the July 7th report by the G7 Finance Ministers on Fighting the Abuses of the Global Financial System.

I would like to summarize three significant modifications to the OECD tax haven work, each of which I will describe in greater detail below.

First, coordinated defensive measures would not apply to "uncooperative" tax haven jurisdictions any earlier than they would apply to similarly-situated OECD member countries.

Second, the "no substantial activities" criterion will no longer be applied to determine whether or not a jurisdiction is considered to be an "uncooperative" jurisdiction.

Third, the time for tax haven jurisdictions to make a commitment to transparency and information exchange has been extended from July 31st to November 30th.

The United States argued for each of these modifications within the OECD, and strongly supports them. It is important to note that the United States was not alone within the OECD in advocating these modifications, and that agreement within the OECD would not have been possible without the support of other countries. In my view, these modifications constructively focus and clarify the OECD tax haven work, and therefore increase the likelihood that it can achieve its critical objective.

Parity of timeline for application of defensive measures. In order for the OECD initiative to have the legitimacy it needs to succeed, jurisdictions outside the OECD must be treated no more severely than similarly-situated OECD member countries. The 2000 OECD Report anticipated the coordination and application of defensive measures by OECD member countries against "uncooperative" tax haven jurisdictions as of July 31, 2001. Such measures, however, would not be applicable to similarly-situated OECD member countries – including OECD member countries with substandard transparency or information exchange practices which they have not yet made commitments to improve – until April 2003 at the earliest. That disparity in treatment would not have been fair. It is not surprising that there was unanimous support among G7 countries to address this inequity.

Accordingly, the OECD has now agreed that defensive measures would not be applicable to non-OECD jurisdictions any earlier than they would be applicable to similarly-situated OECD member countries. Each OECD member country, of course, reserves the right to take or refrain from taking any measure as appropriate, whether within the coordinated framework established by the OECD or outside of that framework. Tax haven jurisdictions will be able to observe whether OECD member countries with significant financial centers make the changes necessary to meet the standards that the jurisdictions are being asked to meet. OECD member countries should hold themselves to standards and timelines at least as rigorous as those to which they hold jurisdictions that are not part of the OECD.

Removal of the no substantial activities criterion. Under the provisions of the 1998 and 2000 OECD Reports, a jurisdiction that meets international standards of transparency and information exchange could nevertheless be considered an "uncooperative" tax haven jurisdiction potentially subject to defensive measures if it has regimes that facilitate the establishment of entities with "no substantial activities." Application of the "no substantial activities" criterion proved difficult, and the OECD sought to apply a ring-fencing criterion to the tax haven jurisdictions as a proxy. Under the 1998 OECD Report, which addresses ring fencing in the context of identifying harmful preferential regimes within OECD member countries, a tax regime is ring fenced if it available only to non-resident investors or if the activities of entities formed under the regime are limited to international transactions.

The ring-fencing criterion is problematic because it does not provide an adequate basis to distinguish regimes that facilitate tax evasion from regimes that are designed to encourage foreign investment but that have nothing to do with evasion of any other country's tax law. Countries may have good reason to provide different levels of taxation to income earned by nonresidents or to income earned by residents from foreign activities, such as to provide investment incentives or to improve access to capital markets. If such policies are not coupled with a lack of transparency or a refusal to exchange information and otherwise do not interfere with the enforcement by other countries of their tax laws, they should not be targeted by the OECD initiative.

As a practical matter, the OECD has struggled to articulate the application of the "no substantial activities" criterion, or the ring-fencing criterion as its proxy, to the tax haven jurisdictions. Moreover, this criterion necessarily would have uneven application to the tax haven jurisdictions as it would have potential application only to those jurisdictions that have an income tax system and would have no application whatsoever to those jurisdictions that have no income tax system. This lack of clarity in definition and uneven application are particularly troubling because the criterion potentially implicates fundamental tax and economic policy decisions of the jurisdictions.

Accordingly, the OECD has now agreed that neither the "ring-fencing" criterion nor the "no substantial activities" criterion will be used to determine whether a jurisdiction would be listed as "uncooperative" and would be subject to potential defensive measures.

Extending the time for commitment. In light of the recent modifications to the OECD initiative and the number of jurisdictions that have yet to complete discussions with the OECD with respect to commitments to improve their practices, it made good sense to reconsider the anticipated July 31st date for listing "uncooperative" tax haven jurisdictions. The OECD is in active discussions with many of these jurisdictions, and these discussions have proved to be quite time-consuming. Maintaining the July 31st deadline almost certainly would have caused many jurisdictions that are engaged in ongoing, good-faith discussions with the OECD regarding the commitment process to be included in the list of "uncooperative" tax haven jurisdictions. It would have been counterproductive to so label jurisdictions merely because the OECD and the jurisdiction were unable to conclude their discussions by July 31st. In order to avoid this inappropriate result, the time for jurisdictions to make commitments to improve transparency and information exchange practices, and therefore avoid being considered an "uncooperative" tax haven, is being extended from July 31st to November 30th.

Any jurisdiction that makes a commitment to meet international standards of transparency and effective exchange of information will not be listed as "uncooperative" and will not be subject to potential application of coordinated defensive measures. The United States fully supports efforts to improve the information exchange and transparency practices of countries within and outside the OECD which are necessary to enable other countries effectively to enforce their own tax laws.

Information exchange standards. International standards with respect to exchange of tax information have been developed through the work on the relevant provisions of the OECD Model income tax treaty and other instruments. These standards have been strongly influenced by developments regarding the U.S. Model income tax treaty and the standards set out in the Internal Revenue Code with respect to tax information exchange agreements. The ten jurisdictions that have committed to the OECD initiative thus far have been participating with OECD member countries, including the United States, in developing an exchange of tax information instrument based on these U.S. and international standards. It is anticipated that this instrument could be used in meeting the jurisdictions' commitments to engage in effective tax information exchange.

In the context of the OECD initiative, effective information exchange means that governmental authorities will provide information upon specific request if necessary for the conduct of a specific criminal tax investigation or civil tax examination. In general, information exchange can be effective only if bank secrecy, bearer shares, and other practices do not impede such exchange. Requests for information that are in the nature of a "fishing expedition" are not within the scope of standard information exchange relationships.

United States tax authorities may directly exchange tax information with authorities of foreign countries only pursuant to bilateral tax treaties or tax information exchange agreements, and the United States currently has over 60 such treaties and agreements. These treaties and agreements provide that the information cannot be used for non-tax purposes or disclosed without authorization, thus protecting the confidentiality of such information. The OECD project contemplates that confidentiality standards will be included in the model exchange of information agreement being developed by the joint group of OECD and non-OECD countries, and the United States will continue to insist on these important protections in any agreement to which it is a party.

Transparency standards. International standards with respect to transparency have been developed at the OECD as part of the harmful tax practices initiative. In this context, transparency means two things: (1) the absence of non-public tax practices, such as the secret negotiation, or waiver, of public tax laws and tax administration rules; and (2) the absence of obstacles, such as strict bank secrecy or the use of bearer shares, to obtaining financial or beneficial ownership information within a jurisdiction. The United States supports efforts to improve transparency as critical to establishing and maintaining an effective information exchange relationship; a jurisdiction that could not obtain basic financial or beneficial ownership information from residents or financial institutions within its jurisdiction could not satisfy its information exchange obligations in a meaningful way. Efforts to improve transparency should prevent the establishment of barriers to effective information exchange.

Possible application of defensive measures. The OECD initiative can reach its core objective of improving the ability of countries to enforce their own tax laws only if the significant financial centers within and outside the OECD are persuaded to meet international standards for transparency and effective information exchange. Drafting lists and devising defensive measures ultimately will not help countries curb noncompliance with their tax laws. Accordingly, it is the hope of the United States and other OECD member countries that we will never have to consider the implementation of coordinated defensive measures with respect to uncooperative jurisdictions.

It is important to note two things with respect to defensive measures in connection with the OECD harmful tax practices project. First, the threat of such measures by a group of 30 large, developed countries is by its nature highly coercive and accordingly should be reserved only for jurisdictions acting in bad faith whose practices demonstrably facilitate the noncompliance by taxpayers with the tax laws of other countries. In this context, such measures must truly be measures of last resort.

Second, while the work in the OECD project to refine the identification of appropriate potential defensive measures is still in an early stage, it is important to recognize that several of the defensive measures that have been identified thus far by the OECD have been part of the international tax policy of the United States and other OECD member countries for many years. For example, the Internal Revenue Service has a practice of enhanced audit and enforcement activities with respect to transactions and activities in jurisdictions which, in its experience, are used by U.S. taxpayers to evade their U.S. tax obligations. These jurisdictions invariably do not have effective information exchange agreements with us or other countries, and in fact most were identified as tax havens by the OECD. In addition, since the mid-1980s, the United States has had a policy of not entering into comprehensive tax treaties with no-tax jurisdictions because such treaties would not serve a principal purpose of our bilateral tax treaties – the elimination of double taxation on cross-border activities and investment flows – and because such jurisdictions traditionally have not had effective information exchange practices. Consistent with that policy, the United States has terminated several tax treaties in the last 20 years with no or low-tax jurisdictions, many of which were identified as tax havens by the OECD.

More generally, however, the aspects of our international tax laws designed to prevent noncompliance do not target lists of countries because, as the experience with the OECD initiative shows, such lists are difficult to draw up and maintain and can become the subject of controversy. Thus, most aspects of our international tax laws apply without regard to the particular foreign jurisdiction in which the activity or taxpayer is located. For example, our tax law includes a comprehensive controlled foreign corporation regime, as well as other complementary anti-deferral regimes, that provides for the immediate taxation of certain categories of foreign income earned by foreign corporations controlled by U.S. taxpayers. These rules are not limited to corporations located in particular jurisdictions.

The United States, like other OECD member countries, would strongly prefer working cooperatively with jurisdictions rather than contemplating the imposition of coordinated defensive measures. It would be premature for me to speculate as to what measures, if any, the United States or other countries might consider applying in two years if it were to come to that. I will note at this time, however, that many of the defensive measures identified by the OECD would require legislation and therefore would require action by Congress.

Concluding thoughts on the OECD project

I am heartened by the significant progress we have made with our OECD counterparts in focusing the OECD's work with respect to tax haven jurisdictions on its core element: the need for countries to be able to obtain specific information from other countries upon request in order to enforce their own tax laws. It is clear from the recent developments with respect to the OECD initiative that this important objective can be achieved without stifling tax competition. These developments also reflect a fairer and more constructive approach to the dialogue with non-OECD countries, whose cooperation ultimately is necessary to the success of the OECD initiative. We look forward to ongoing discussion with countries both within and outside the OECD aimed at establishing effective transparency and other mechanisms for the provision of tax information upon specific request while protecting against unauthorized use and disclosure of such information.

Additional comments on money laundering work

I would also like to make a few points about our work to combat money laundering, something that I know has been of interest to this Subcommittee. First of all, this Administration is committed to aggressive enforcement of the money laundering and asset forfeiture laws. To that end, the President has nominated, with my full support, Jimmy Gurulé, a former Federal prosecutor and expert on money laundering enforcement, to be the Under Secretary for Enforcement at Treasury. President Bush has also tapped Judge Robert Bonner, a former U.S. Attorney and Administrator of the Drug Enforcement Administration, to head the Customs Service, which plays a crucial role in our efforts to root out international money laundering. Professor Gurulé, with my full support, has announced his intention to make enforcement of the money laundering laws his top priority during his tenure at the Treasury. Assistant Attorney General Chertoff has told us that money laundering enforcement is also one of his top priorities for the Justice Department's Criminal Division. Though neither Professor Gurulé nor Judge Bonner is yet confirmed, they have both been advising me on this issue. With their expert assistance, and with the support of our colleagues at the Department of Justice, I am comfortable that our internal review of our money laundering programs will put us in a position to ensure that the American people are getting the best possible return on their investment in this area.

The previous Administration published a spread sheet that indicated that we spent about a billion dollars each year combating money laundering. Since becoming Secretary I have learned that that number was significantly in error, and I have asked the Treasury staff a series of tough questions about the nature of our actual expenditures and what exactly we get in return for our efforts. I'm still not satisfied that we have good answers to all of these questions, but I assure you that, as we move forward, I will continue to push the staff to answer them.

I believe this approach is the best way to ensure effective public policy, regardless of the subject area. It is clear to me that money laundering control is an important component of our overall effort to combat crime and to protect the integrity of our financial institutions and markets. But it is also clear to me that we can do a much better job in making ourselves accountable to the American people.

We will circulate shortly for interagency review a draft of the 2001 National Money Laundering Strategy. I expect we will be in a position to publish a final strategy in the coming weeks. That strategy will articulate a number of specific steps across a range of different activities, all designed to ensure effective law enforcement. The three main pillars of the strategy will be, first, to focus our limited federal resources to investigate and prosecute money laundering on high impact major cases; second, to protect the integrity of the U.S. financial system; and third, to significantly improve the Government's capacity to measure the results of its efforts, so that we can be fully accountable to the American taxpayers.

Thank you.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 9:00 A.M.
July 18, 2001

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Office of Public Affairs
202-622-2960

TREASURY ANNOUNCES DEBT BUYBACK OPERATION

On July 19, 2001, the Treasury will buy back up to $1,500 million par of its outstanding issues that mature between February 2023 and November 2027. Treasury reserves the right to accept less than the announced amount.

This debt buyback (redemption) operation will be conducted by Treasury's Fiscal Agent, the Federal Reserve Bank of New York, using its Open Market operations system. Only institutions that the Federal Reserve Bank of New York has approved to conduct Open Market transactions may submit offers on behalf of themselves and their customers. Offers at the highest accepted price for a particular issue may be accepted on a prorated basis, rounded up to the next $100,000. As a result of this rounding, the Treasury may buy back an amount slightly larger than the one announced above.

This debt buyback operation is governed by the terms and conditions set forth in 31 CFR Part 375 and this announcement.

The debt buyback operation regulations are available on the Bureau of the Public Debt's website at www.publicdebt.treas.gov.

Details about the operation and each of the eligible issues are given in the attached highlights.

oOo

Attachment

PO-487

HIGHLIGHTS OF TREASURY DEBT BUYBACK OPERATION

July 18, 2001

Par amount to be bought back ...Up to $1,500 million
Operation date ....July 19, 2001
Operation close time ....11:00 a.m. eastern daylight saving time
Settlement date ....July 23, 2001
Minimum par offer amount $100,000
Multiples of par $100,000
Format for offers ..... Expressed in terms of price per $100 of par with three decimals. The first two decimals represent fractional 32nds of a dollar. The third decimal represents eighths of a 32nd of a dollar, and must be a 0, 2, 4, or 6.
Delivery instructions ....ABA Number 021001208 FRB NYC/CUST

Treasury issues eligible for debt buyback operation (in millions):

Coupon Rate (%)	Maturity Date	CUSIP Number	Par Amount Outstanding*	Par Amount Privately Held*	Par Amount Held as STRIPS**
7.125	02/15/2023	912810 EP 9	16,773	14,138	6,258
6.250	08/15/2023	912810 EQ 7	22,659	21,106	3,299
7.500	11/15/2024	912810 ES 3	9,704	8,089	6,184
7.625	02/15/2025	912810 ET 1	10,634	9,041	6,992
6.875	08/15/2025	912810 EV 6	11,695	9,896	4,205
6.000	02/15/2026	912810 EW 4	12,838	11,674	1,730
6.750	08/15/2026	912810 EX 2	10,018	8,404	2,635
6.500	11/15/2026	912810 EY 0	11,168	9,444	4,961
6.625	02/15/2027	912810 EZ 7	10,211	8,836	3,124
6.375	08/15/2027	912810 FA 1	10,016	8,376	2,227
6.125	11/15/2027	912810 FB 9	22,046	18,698	8,701
		Total	147,762	127,702	50,316

* Par amounts are as of July 17, 2001.
** Par amounts are as of July 16, 2001.

The difference between the par amount outstanding and the par amount privately held is the par amount of those issues held by the Federal Reserve System.

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
July 18, 2001

Contact: Tasia Scolinos
(202) 622-2960

MEDIA ADVISORY

EVENT: Secretary O'Neill Returns Valuable Renaissance Drawings to Germany on Behalf of U.S. Customs Service

WHEN: Thursday, July 19, 2001 at 11:00 a.m.

WHERE: News Conference/Ceremony at U.S. Customhouse
6 World Trade Center - Room 716
New York, NY

Secretary of the Treasury, Paul H. O'Neill will return to officials of Germany's Bremen Museum late 15th century drawings, among them works by Rembrandt, Jacob van Ruisdale and Albrecht Dürer. Dürer's "Women's Bathhouse" has been valued at $10 million. Germany's Appointed Ambassador to the United States Wolfgang Ischinger and U.S. Attorney Mary Jo White will participate in the ceremony.

The 12 ink and chalk drawings were stolen from the Bremen Museum in Germany during WWII, and resurfaced in 1993, when the Azerbaijan Museum in Baku planned to exhibit them. The cache of masterpieces ultimately ended up in New York City; the collection of rare drawings has an estimated value of $15 million.

Recovery of cultural and historical property is an important mission of the U.S. Customs Service. Over the past several years, U.S. Customs has seized in excess of $40 million worth of stolen art and artifacts.

PO-488

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
July 18, 2001

CONTACT: Office of Financing
202/691-3550

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

The Treasury will auction $12,000 million of 2-year notes to refund $28,510 million of publicly held notes maturing July 31, 2001, and to pay down about $16,510 million.

In addition to the public holdings, Federal Reserve Banks hold $6,168 million of the maturing notes for their own accounts, which may be refunded by issuing an additional amount of the new security.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of the auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $732 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 allocation percentage applied to bids awarded at the highest yield will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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

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

PO-489

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF
2-YEAR NOTES TO BE ISSUED JULY 31, 2001

July 18, 2001

Offering Amount .... $12,000 million
Public Offering .... Offering amount less the amount awarded for FIMA accounts

Description of Offering:
Term and type of security .... 2-year notes
Series S-2003
CUSIP number 912827 7A 4
Auction date .... July 25, 2001
Issue date .... July 31, 2001
Dated date .... July 31, 2001
Maturity date .... July 31, 2003
Interest rate .... Determined based on the highest accepted competitive bid
Yield .... Determined at auction
Interest payment dates .... January 31 and July 31
Minimum bid amount and multiples $1,000
Accrued interest payable by investor .... None
Premium or discount .... Determined at auction

STRIPS Information:
Minimum amount required $1,000
Corpus CUSIP number .... 912820 GK 7
Due date(s) and CUSIP number(s)
for additional TINT(s) .... July 31, 2003 - - 912833 YA 2

Submission of Bids:
Noncompetitive bids:
Accepted in full up to $5 million at the highest accepted yield.
Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.
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

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

EMBARGOED UNTIL 11:00 A.M. EDT
Thursday, July 19, 2001

Contact: Tasia Scolinos
(202) 622-2960

STATEMENT OF TREASURY SECRETARY PAUL O'NEILL AT CUSTOMS ART REPATRIATION EVENT

Good morning. It is my pleasure to welcome all of you here for the return of some very historic and very valuable drawings by the old masters to their rightful home in Bremen, Germany.

Welcome, Mr. Ambassador. I'm so glad you could be here today.

The Treasury Department's diverse law enforcement responsibilities include combating the trafficking in stolen art and antiquities across the borders of the United States. When stolen treasures are smuggled into the U.S., we do all we can to return them to their rightful owners, and to bring any wrongdoers to justice. We take our responsibility very seriously, and today we are happy to celebrate a victory in that regard.

The remarkable drawings being repatriated to Germany today had been missing from the Bremen museum for over 50 years. Among them are works by Rembrandt and Jacob van Ruisdael. The experts agree, however, that the real star of the collection is this small, late 15th Century drawing of "Women's Bath" by the seminal German artist Albrecht Dürer. It alone has been valued at $10 million.

The drawings were among the masterpieces that the Bremen Museum stored in a castle for safekeeping in 1943. Toward the end of World War Two, Soviet troops occupied the castle. Thereafter, the drawings found their way to the former Soviet Union, and by 1947 were in the hands of the KGB. The drawings didn't surface again until 1993, when the National Fine Arts Museum of Baku, Azerbaijan announced plans to exhibit them.

That's when the Bremen Museum in Germany asserted its ownership. But before they could be returned, the drawings were stolen from the museum in Azerbaijan, along with 180 other works.

In 1997 this tale became a web of intrigue worthy of Hitchcock. The drawings surfaced briefly in New York when U.S. Customs agents foiled an attempt to extort $6 million for their return to the Bremen Museum.

PO-490

The drawings were seized, and a Japanese businessman and a former Azerbaijan prosecutor were arrested: one in a room of the Grand Hyatt Hotel on East 42nd Street; and the other near Washington Square Park, where she had led Customs agents on a high speed chase.

The 12 drawings belonging to Germany's Bremen Museum and 180 others belonging to the museum in Azerbaijan had been stashed, in a closet and under a bed, in an apartment on Ocean Parkway in Brooklyn. The drawings and prints belonging to Azerbaijan were returned last month.

I want to commend Customs Special Agent Bonnie Goldblatt for her work on this particular case. Let me also acknowledge the ongoing efforts by the entire Customs Art Recovery Team, led by Tom Caso, here in New York. I also want to recognize the support the team receives from the Office of Associate Chief Counsel.

Cooperation between the Treasury Department and the Justice Department has been a hallmark of these art repatriation cases. Cooperation and ability to get the job done could not be better than it is here in New York. That speaks well of the Special Agent in Charge in New York led, Joe Webber; and, of course, of the hard-working U.S. Attorney for the Southern District of New York, Mary Jo White.

Thank you for everything you do, and for the outstanding work in this case by Assistant U.S. Attorney Alexander Shapiro, former Assistant Steven Heineman and by Maxine Pfeffer. Commissioner Winwood mentioned Ms. Pfeffer's untimely death, which, I know, makes this a bittersweet occasion, especially for those of you who worked closely with her.

You can all be very proud of the work you accomplished in this outstanding case.

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EMBARGOED UNTIL 2:00 P.M. EDT
Thursday, July 19, 2001

Contact: Tara Bradshaw
(202) 622-2960

TESTIMONY OF DEPUTY COMMISSIONER OF INTERNAL REVENUE ROBERT E. WENZEL BEFORE THE HOUSE WAYS AND MEANS SUBCOMMITTEE ON OVERSIGHT MAILINGS ON ADVANCE PAYMENT CHECKS

Mr. Chairman, I welcome this opportunity to testify on the recent attempt to lure taxpayers into needlessly paying for information about their advance payment checks. The IRS will provide this information free of charge to all taxpayers in a series of mailings that began on Saturday.

I fully share the subcommittee's concern and outrage about this brazen attempt to prey upon unsuspecting taxpayers. And I applaud your efforts, Mr. Chairman, to expose this unscrupulous activity through this hearing. As Justice Brandeis often remarked, "Sunshine is the best disinfectant." We will work with you, the Department of Treasury and all interested parties to help raise public awareness about the problem. We have placed an alert on our web site and we certainly would welcome any suggestions you might have.

The IRS is concerned about any scheme or fraudulent solicitations, particularly those that might rise to the level of criminal activities, such as mail or wire fraud. While the IRS does not have independent jurisdiction to investigate mail and wire fraud, we will work with the appropriate federal law enforcement agencies that do, such as the Postal Service, to ensure that any such conduct is addressed.

Mr. Chairman, long before this scam appeared, we anticipated that there would be enormous interest in the payments. We took great steps before and immediately following enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001 to help taxpayers understand the process and to provide them legitimate and free information through a variety of channels.

After passage of the conference report to the legislation, we began to receive taxpayer calls. On May 31, 2001, in response to these calls, we provided on our toll-free lines the following general announcement before the prompts:

PO-491

"If you are calling about the recently passed tax refund, there is nothing you need to do to receive this check. The Internal Revenue Service will send you a letter by the middle of July telling you the amount of the check you will receive and when you will get it.

The IRS will begin mailing these checks by the third week in July. Please note all payments will be made by check and direct deposit is not available. Again, there is nothing that you need to do to get the check." Our representatives on the toll-free telephone lines were also provided helpful scripts and answers to frequently-asked-questions to assist taxpayers.

As the President was signing the bill on June 7, IRS' Communications and Liaison Division began issuing a nationwide press release and accompanying fact sheets with the details of the advance payments checks. In the release, we stated that the IRS wanted to make this process as simple as possible. Taxpayers would receive a letter describing the check amount and the week it would be sent. We would also send a letter of explanation for taxpayers not eligible for the advance payment.

We emphasized throughout our communications that taxpayers did not need to call, fill out special forms or do anything else to receive the check. Commissioner Rossotti was quoted as saying, "All you need to do is open your mailbox. We'll take care of everything else. You don't need to do anything else to receive the check."

By our calculations, as of July 6, IRS staff across the nation answered 168 media inquiries, initiated nearly 400 media contacts to interest reporters to cover the story and participated in almost 370 interviews with television, radio and print reporters. It was front-page news or the lead story for many broadcasts.

IRS National Public Liaison also shared the fact sheets and releases with their key practitioner contacts. The Government Liaison Division staff in the field began briefing state tax administrator and local congressional offices using the prepared materials. At the same time, we posted on the IRS web site, the Digital Daily, a cover story on the advance payment checks as well as a special page on the advance payments.

On June 27, taxpayers calling on the toll-free telephone lines were able to automatically receive information both on eligibility for the advance payments as well as the check mail-out schedule. The information is available in both English and Spanish. Clearly, we have worked very hard to get the message out about the checks.

Mr. Chairman, as the subcommittee is aware, of the 112 million advanced payments notices printed, approximately half of one-percent or 500 thousand, contained incorrect information on the amount of the check taxpayers would receive. The incorrect information was the result of human error that failed to limit, in some cases, the tax relief amount. This was not an error in our systems. In order to reduce the confusion, the IRS will send corrected notice as soon as possible to the affected taxpayers.

Let me stress, Mr. Chairman, that the error was quickly detected and corrected prior to any information being sent to FMS for the printing of checks. Taxpayers will receive a check for the correct amount. We apologize for any confusion the incorrect notices caused.

Mr. Chairman, in conclusion, we want to ensure that taxpayers do not fall prey to the solicitation schemes. One of the best ways to attack this problem is by providing taxpayers with the specific information they need about their advance payment checks. Therefore, the IRS will continue to provide this information through a variety of channels and we look forward to working with you and the Subcommittee to address this problem. Thank you and I would be happy to answer any questions you have.

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TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
July 19, 2001

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 $29,000 million to refund $19,400 million of publicly held bills maturing July 26, 2001, and to raise about $9,600 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $10,447 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of each auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers have requested that we reinvest their maturing holdings of approximately $998 million into the 13-week bill and $790 million into the 26-week bill.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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

PO-492

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED JULY 26, 2001

July 19, 2001

Offering Amount	$15,000 million	$14,000 million
Public Offering	Offering amount less the amount awarded for FIMA accounts	
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 HT 1	912795 JD 4
Auction date	July 23, 2001	July 23, 2001
Issue date	July 26, 2001	July 26, 2001
Maturity date	October 25, 2001	January 24, 2002
Original issue date	April 26, 2001	July 26, 2001
Currently outstanding	$12,258 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 million at the highest discount rate of accepted competitive bids.

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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 Rate ....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
July 19, 2001

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Office of Public Affairs
202-622-2960

TREASURY DEBT BUYBACK OPERATION RESULTS

Today, Treasury completed a debt buyback (redemption) operation for $1,500 million par of its outstanding issues. A total of 11 issues maturing between February 2023 and November 2027 were eligible for this operation. The settlement date for this operation will be July 23, 2001. Summary results of this operation are presented below.

(amounts in millions)

Offers Received (Par Amount):	$6,079
Offers Accepted (Par Amount):	1,500
Total Price Paid for Issues (Less Accrued Interest):	1,746
Number of Issues Eligible:	
For Operation:	11
For Which Offers were Accepted:	6
Weighted Average Yield of all Accepted Offers (%):	5.679
Weighted Average Maturity for all Accepted Securities (in years):	23.7

Details for each issue accompany this release.

PO-493

July 19, 2001

TREASURY DEBT BUYBACK OPERATION RESULTS

(amounts in millions, prices in decimals)

Table I

Coupon Rate (%)	Maturity Date	Par Amount Offered	Par Amount Accepted	Highest Accepted Price	Weighted Average Accepted Price
7.125	02/15/2023	911	475	117.906	117.864
6.250	08/15/2023	224	0	N/A	N/A
7.500	11/15/2024	611	0	N/A	N/A
7.625	02/15/2025	300	180	125.195	125.156
6.875	08/15/2025	535	285	115.578	115.546
6.000	02/15/2026	761	0	N/A	N/A
6.750	08/15/2026	846	335	114.234	114.198
6.500	11/15/2026	915	175	110.921	110.919
6.625	02/15/2027	160	0	N/A	N/A
6.375	08/15/2027	445	50	109.507	109.476
6.125	11/15/2027	371	0	N/A	N/A

Table II

Coupon Rate (%)	Maturity Date	CUSIP Number	Lowest Accepted Yield	Weighted Average Accepted Yield	Par Amount Privately Held*
7.125	02/15/2023	912810EP9	5.675	5.678	13,663
6.250	08/15/2023	912810EQ7	N/A	N/A	21,106
7.500	11/15/2024	912810ES3	N/A	N/A	8,089
7.625	02/15/2025	912810ET1	5.673	5.676	8,861
6.875	08/15/2025	912810EV6	5.679	5.681	9,611
6.000	02/15/2026	912810EW4	N/A	N/A	11,674
6.750	08/15/2026	912810EX2	5.678	5.680	8,069
6.500	11/15/2026	912810EY0	5.681	5.681	9,269
6.625	02/15/2027	912810EZ7	N/A	N/A	8,836
6.375	08/15/2027	912810FA1	5.672	5.674	8,326
6.125	11/15/2027	912810FB9	N/A	N/A	18,698

Total Par Amount Offered: 6,079

Total Par Amount Accepted: 1,500

Note: Due to rounding, details may not add to totals.

*Amount outstanding after operation. Calculated using amounts reported on announcement.

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TREASURY NEWS

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EMBARGOED UNTIL 7:00 P.M. EDT
Thursday, July 19, 2001

Contact: Tony Fratto
(202) 622-2960

SPEECH BY SECRETARY PAUL O'NEILL TO THE BOND MARKET ASSOCIATION NEW YORK CITY

It's a pleasure to be here with you tonight. It's always a treat to come to New York, where everyone thinks Paul O'Neill is a hero. Although since he's announced his retirement, I guess I only have a few more months to enjoy that confusion.

Tomorrow is the 6th month mark of this Administration, and I'm really proud of what we've been able to do so far. We really challenged the conventional wisdom, and I think we're making a difference.

Success of the Tax Cut

In January, we were told over and over again that Congress couldn't pass a tax cut before September. We said that's not good enough. In my testimony on the Hill I said when I ran a company and decided to give my employees a raise, it didn't even take 9 days, never mind 9 months. There was a consensus in Washington that we should have a tax cut and that we should stimulate the economy, so it was time to act.

We were able to overcome all the conventional wisdom and pass a tax cut in time to have fiscal policy hitting the economy when it is needed most. The President asked the Congress to speed up passage and make the tax cut retroactive to this year, in order to have a real fiscal stimulus. The Congress obliged, and tomorrow we begin sending out 92 million rebate checks to every American who paid income taxes last year. We're injecting $40 billion into the economy right when we need it the most.

The rebates will have an added stimulus effect because they are connected to long-term tax rate reductions. The rate reductions began on July 1, and 35 million taxpayers will see a little more in their very next paycheck. The long-term relief changes people's expectations of their available resources, so they don't just spend the check they get in the mail next month, they permanently change their spending behavior. Private forecasters have estimated that the tax cut will boost growth somewhere in the range of 0.5 to 1.5 percentage points going forward. This is a rare Washington success story, where process and politics couldn't stop a good idea.

PO-494

Individual Wealth Creation through Social Security Reform

The next challenge is Social Security. You all know the numbers, so I won't bore you with 75-year actuarial balances. It's a simple fact that if we do nothing the Trust Fund won't have enough to pay even today's level of benefits. So, we've got a problem that we need to fix. But I don't view this challenge as just a matter of solving an actuarial problem. I view it as an enormous opportunity to spread financial independence to millions of Americans, especially to groups who've struggled to reach that independence so far.

What we have to do is highlight these opportunities for financial security and also force Washington to acknowledge that there's a major cost to continuing with the current system unchanged.

We can't fix the problem until Americans understand what Social Security holds for them today. I've seen quotes stating that the Trust Fund is good for another 80 to 100 years. That's either willful misinformation or determined ignorance. And it's not fair to the American people. Millions who are trying to plan for their retirement have a right to know that the system is unsustainable in its current form.

Yet when I said "there are no real economic assets in the Trust Fund" you'd have thought I said the sky is red. I got angry letters from people who should be joining with me in recognizing this truth and doing something about it. Even when I pointed out that the Clinton Administration acknowledged in its 2000 budget that the Trust Fund held no real economic assets, that didn't end the tirade. I'm not telling you anything you don't already know, but somehow people in Washington think if I tell you this, you'll panic. You know better, and so do I. That's why I'm not going to stop telling the truth.

Social Security took millions of people out of poverty. It was – and is -- a brilliant idea. Now it's time for the next step. It's time to make Social Security a program that enables every American to create wealth for their retirement security.

If we want people to live out their retirements with the dignity they deserve, then we have an obligation to make every American a wealth accumulator. It's just wrong to mislead people with promises of "trust the government, you'll be fine." People can do better if they own their own retirement nest egg. That's true for people of every economic and social background. Personal ownership allows them to accumulate funds and multiply them by the power of compound interest.

You all know that women tend to outlive men. So women need a larger retirement nest egg to ensure that they are comfortable in their senior years. They should be able to put the magic of compound interest to work for them, generating greater financial security and peace of mind.

You've all heard the statistics that minority men on average don't live as long as the rest of the population. Instead of forfeiting all the payroll taxes they've paid in to the system, shouldn't they be able to pass that nest egg on to their children, to improve their families' living standards?

Real ownership would make financial security possible: the ability to create a nest egg that is always there, no matter what political decisions are made in Washington. Millions of Americans who today live from paycheck to paycheck can become wealth accumulators, and improve living standards for generations to come. After all, the American Dream is for every generation to reach a higher living standard than the generation that went before. We all want our children and grandchildren to enjoy opportunities we didn't have. Giving more working Americans the opportunity to own their own nest egg will create a domino effect in families, as wealth is passed from generation to generation.

I think this is another instance where process and politics won't be able to stop a good idea. Once people understand how much better their retirements can be, they will demand personal accounts and Washington will oblige.

Economic Outlook

Let me finish by turning to the economy for a moment.

You might remember the rough treatment I got back in April when I said that the economies of the world are interconnected. I was reflecting on my understanding of how our global economy works, how the linkages between investment and spending patterns in the major economies were likely to play through. To me it was simply a statement of fact – and the reaction seemed to be a statement from those who didn't want to accept those facts. In recent weeks, we've seen just how interconnected the economies of the world are. We've seen increasing reports of how the slow down in the US is affecting other economies, from Singapore to Germany—making the fiscal and monetary policy steps taken this year to boost the US economy even more important.

I believe the US economy has the flexibility to adjust and recover very quickly. Certainly pro-growth policies around the world are crucial, both for the world living standard and for the US specifically. A strong world economy requires growth from the three largest economies in the world – the United States, Europe and Japan. I remain optimistic that we are going to see higher growth next year, and that, as we did in 1998, the US economy we will lead the world back to the path of prosperity.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL NOON
June 20, 2001

Contact: Tara Bradshaw
(202) 622-2960

THE CHECK IS IN THE MAIL

Today, Treasury Secretary Paul O'Neill and Vice President Cheney visited Treasury Department's Financial Management Service's Kansas City facility as the first advance payment checks are mailed to taxpayers. Nearly 8 million checks are being mailed today, delivering $3.3 billion in immediate tax relief to hardworking American taxpayers.

Treasury Secretary Paul O'Neill delivered the following remarks in Kansas City:

"The check is in the mail! Those words couldn't be more true today. Nearly 8 million checks - totaling $3.3 billion, are in the mail today. And that's just the first shipment. We are here to proudly tell 92 million Americans, "the check is in the mail" -- thanks to the President's leadership in passing tax relief.

"This facility is among five nationally that will produce and issue 92 million rebate checks for American taxpayers over a ten week period. I'd like to personally thank Jack Adams, the Director of the facility, for all of the hard work he has already done, and will do, over the next ten weeks. He, and the other four FMS center Directors, are playing a critical role in this enormous undertaking.

"Jack and his colleagues will be sending out as many as ten million checks a week for ten weeks! It's an enormous job, but I know you and your staff are up to it and for that reason, you, and all of your fellow FMS colleagues, have our sincere thanks. You taxpayers out there may see Jack's signature on your check - and then you can thank him too.

"Working Americans across the nation are going to receive a total of $38 billion dollars back from Washington by the end of September. That 38 billion comes at exactly the right time to give the softening economy a much needed shot in the arm. This is a rare instance when fiscal policy hits exactly when it was needed most.

"We're getting money back to the taxpayers in record time because the President focused like a laser beam on the tax relief package during his first months in office. The conventional wisdom back in January said it would take the entire first year of his term to pass the tax relief bill. We challenged the conventional wisdom, and the results are right here before you in this stack of checks headed out to taxpayers today.

PO-495

"Finally, I want to thank Congress too. I'm glad members of Congress put politics aside and allowed this bipartisan legislation to move forward. It's now clear that working Americans are going to receive significant tax relief. The President has shown the American people that great things can happen when both parties work together and unite around principle."

The Treasury Department will announce every week the number of checks that are being mailed out for that week, and the amount of tax relief that is being sent to taxpayers. Checks will be mailed over a ten-week period, according to the last two digits of the taxpayers Social Security number. Notices from the Internal Revenue Service that tells taxpayers the amount of their check and when they should expect it have been mailed. Single taxpayers will get a check up to $300, head of household up to $500 and married couples filing jointly will get up to $600.

Because the Social Security number determines when checks are mailed, taxpayers may receive their checks at different times than their neighbors or other family members. On a joint return, the first number listed will set the mailout time.

If the last two digits of your <u>Social Security number are</u>:	**You should receive your check <u>the week of</u>:**
00 - 09	July 23
10 - 19	July 30
20 - 29	August 6
30 - 39	August 13
40 - 49	August 20
50 - 59	August 27
60 - 69	September 3
70 - 79	September 10
80 - 89	September 17
90 - 99	September 24

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EMBARGOED UNTIL 11:30 A.M.
July 23, 2001

CONTACT: Tony Fratto/Rob Nichols
(202) 622-2960

TREASURY TO ISSUE FOUR-WEEK BILLS

Treasury announced today that it plans to begin regular weekly offerings of 4-week bills. The securities will be reopenings of outstanding 26-week bills. Regular weekly offerings of 4-week bills will help smooth seasonal fluctuations in Treasury's cash balances and reduce reliance on cash management bills.

The announcement for the first auction will be on Monday, July 30, 2001 at 11:30 a.m. for an auction on Tuesday, July 31, 2001 at 1:00 p.m., with settlement on Thursday, August 2. The 4-week bills will be offered in addition to regular weekly auctions of 13- and 26-week bills. Details about the new security are given in the attached fact sheet.

Subsequent announcements for 4-week bills will be on Mondays at 11:30 a.m. Auctions will take place on Tuesdays. Settlement will be on the same day as for the other regular weekly bills, the Thursday following each auction. Minimum bid amounts and multiples will be the same as for other regular weekly bills, $1000. These bills will not be available for purchase through *TreasuryDirect*.

In a companion press release, Treasury announced the publication in the *Federal Register* of an Advance Notice of Proposed Rulemaking (ANPR) that solicits public comments on potential modifications to Treasury's *Uniform Offering Circular* (31 CFR 356) regarding the calculation of the net long position (NLP) and the 35 percent award limit in marketable Treasury securities auctions. The potential modifications have been proposed to ensure active and wide participation in Treasury auctions, particularly in reopenings of securities which are auctions of additional amounts of previously issued securities.

Until Treasury makes a decision regarding potential modifications to the calculation of the NLP and auction award limit, competitive bidders in 4-week bill auctions will be required to report their NLP if they meet or exceed the reporting threshold. Treasury will not include NLPs in the calculation of the 35 percent award limit, but reported NLPs will be used to monitor distribution of securities in the new 4-week bill auctions. This announcement does not affect or change the NLP calculation, reporting requirements, and the application of the NLP for the auction of any security other than the 4-week bill.

PO-496

-30-

WEEKLY TREASURY BILLS FACT SHEET

Instrument:	4-week	13-week	26-week
Frequency:	weekly	weekly	weekly
CUSIP:	reopening	reopening	new[1]
Announce day:	Monday	Thursday	Thursday
Announce time:	11:30 am	2:30 p.m.	2:30 p.m.
Auction day:	Tuesday	Monday	Monday
Monday holiday:	Wednesday	Tuesday	Tuesday
Auction time:	1:00 p.m.	1:00 p.m.	1:00 p.m.
Noncompetitive bids:	12:00 noon	12:00 noon	12:00 noon
Settlement day:	Thursday	Thursday	Thursday
Competitive bidding:	3 decimal[2]	3 decimal[2]	3 decimal[2]
NLP applies to 35% limit:	no[3]	yes	yes
Noncomp. bidding:	yes	yes	yes
SOMA[4] added on:	yes	yes	yes
FIMA[4] in auction:	yes	yes	yes
TreasuryDirect:	no	yes	yes

[1] Except for reopenings of remaining 52-week bills with more than 26 weeks remaining.
[2] Expressed as a discount rate in increments of .005%, e.g., 7.100%, 7.105%.
[3] Until the Treasury makes a decision regarding modifications to the calculation of the net long position (NLP), competitive bidders in 4-week bill auctions will be required to report their NLP if they meet or exceed the reporting threshold, but Treasury will not include the NLP in the calculation of the 35 percent award limit.
[4] System Open Market Account and Foreign and International Monetary Authorities noncompetitive bids.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 11:30 A.M.
July 23, 2001

CONTACT: Tony Fratto/Rob Nichols
(202) 622-2960

TREASURY SEEKS COMMENTS ON MODIFICATION TO AUCTION RULES

Treasury announced the publication in the *Federal Register* of an Advance Notice of Proposed Rulemaking (ANPR) that solicits public comments on potential modifications to Treasury's *Uniform Offering Circular* (31 CFR 356) to the calculation of the net long position and the 35 percent award limit in marketable Treasury securities auctions.

The 35 percent rule limits auction awards for any one competitive bidder to 35 percent of the total amount offered to the public less the bidder's net long position (NLP) in a particular auction. A key component of the 35 percent award limit is the NLP calculation. The NLP is the amount of a security that a bidder has obtained, or has arranged to obtain, outside of the auction. If a bidder has a reportable NLP, it is subtracted from the 35 percent award limit in determining the bidder's maximum award amount.

The purpose of any such modifications would be to ensure active and wide participation in Treasury auctions, particularly in reopenings, which are auctions of additional amounts of previously issued securities. Treasury is examining whether the current method for calculating the NLP unnecessarily reduces participation in reopenings by bidders who already have significant amounts of the security issued in previous auctions. Treasury invites comments on alternatives to NLP reporting and the 35 percent award limit. Of particular interest are comments on an alternative that would permit bidders in reopenings to exclude a portion of their current holdings of the security being auctioned from their NLP calculation.

Until Treasury makes a decision regarding modifications to the calculation of the NLP and auction award limit, competitive bidders in 4-week bill auctions will be required to report their NLP if they meet or exceed the reporting threshold. Treasury will not include NLPs in the calculation of the 35 percent award limit, but reported NLPs will be used to monitor distribution of securities in the new 4-week bill auctions. This announcement does not affect or change the NLP calculation, reporting requirements, and application of the NLP for the auction of any security other than the 4-week bill.

PO-497

-30-

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
July 23, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term: 91-Day Bill
Issue Date: July 26, 2001
Maturity Date: October 25, 2001
CUSIP Number: 912795HT1

High Rate: 3.480% Investment Rate 1/: 3.561% Price: 99.120

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 57.02%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 34,756,217	$ 13,407,617
Noncompetitive	1,367,539	1,367,539
FIMA (noncompetitive)	225,000	225,000
SUBTOTAL	36,348,756	15,000,156 2/
Federal Reserve	4,868,321	4,868,321
TOTAL	$ 41,217,077	$ 19,868,477

Median rate 3.470%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.450%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 36,348,756 / 15,000,156 = 2.42

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,100,026,000

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
July 23, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	July 26, 2001
Maturity Date:	January 24, 2002
CUSIP Number:	912795JD4

High Rate: 3.440% Investment Rate 1/: 3.549% Price: 98.261

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 1.22%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 32,346,284	$ 12,747,679
Noncompetitive	1,102,703	1,102,703
FIMA (noncompetitive)	150,000	150,000
SUBTOTAL	33,598,987	14,000,382 2/
Federal Reserve	5,578,757	5,578,757
TOTAL	$ 39,177,744	$ 19,579,139

Median rate 3.420%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.400%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 33,598,987 / 14,000,382 = 2.40

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $863,969,000

http://www.publicdebt.treas.gov

PO-499

federal financing bank NEWS
WASHINGTON, D.C. 20220

Press 202-622-2960
FFB 202-622-2450

FEDERAL FINANCING BANK June 30, 2001

Kerry Lanham, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of May 2001.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $38.7 billion on May 31, 2001, posting a decrease of $333.4 million from the level on April 30, 2001. This net change was the result of an increase in holdings of government-guaranteed loans of $46.0 million, and a decrease in holdings of agency debt of $379.4 million. FFB made 59 disbursements and received 16 prepayments during the month of May.

Attached to this release are tables presenting FFB May loan activity and FFB holdings as of May 31, 2001.

PO-500

FEDERAL FINANCING BANK
MAY 2001 ACTIVITY

Borrower	Date	Amount of Advance	Final Maturity	Interest Rate
AGENCY DEBT				
U.S. POSTAL SERVICE				
U.S. Postal Service	5/01	$350,000,000.00	5/02/01	3.972% S/A
U.S. Postal Service	5/01	$241,100,000.00	5/02/01	4.046% S/A
U.S. Postal Service	5/02	$180,000,000.00	5/03/01	4.077% S/A
U.S. Postal Service	5/02	$241,500,000.00	5/03/01	4.015% S/A
U.S. Postal Service	5/03	$198,700,000.00	5/04/01	3.963% S/A
U.S. Postal Service	5/04	$51,100,000.00	5/07/01	3.859% S/A
U.S. Postal Service	5/11	$302,500,000.00	5/14/01	3.900% S/A
U.S. Postal Service	5/14	$360,000,000.00	5/15/01	3.870% S/A
U.S. Postal Service	5/14	$282,700,000.00	5/15/01	3.840% S/A
U.S. Postal Service	5/15	$300,000,000.00	5/16/01	3.900% S/A
U.S. Postal Service	5/15	$206,200,000.00	5/16/01	3.757% S/A
U.S. Postal Service	5/16	$90,000,000.00	5/17/01	3.840% S/A
U.S. Postal Service	5/16	$286,200,000.00	5/17/01	3.695% S/A
U.S. Postal Service	5/17	$223,200,000.00	5/18/01	3.695% S/A
U.S. Postal Service	5/18	$590,000,000.00	5/21/01	3.695% S/A
U.S. Postal Service	5/18	$98,500,000.00	5/21/01	3.735% S/A
U.S. Postal Service	5/21	$23,100,000.00	5/22/01	3.778% S/A
U.S. Postal Service	5/25	$443,500,000.00	5/29/01	3.786% S/A
U.S. Postal Service	5/29	$380,000,000.00	5/30/01	3.829% S/A
U.S. Postal Service	5/29	$394,100,000.00	5/30/01	3.840% S/A
U.S. Postal Service	5/30	$370,000,000.00	5/31/01	3.786% S/A
U.S. Postal Service	5/30	$234,700,000.00	5/31/01	3.809% S/A
U.S. Postal Service	5/31	$1,050,000,000.00	6/01/01	3.840% S/A
U.S. Postal Service	5/31	$289,000,000.00	6/01/01	3.757% S/A
GOVERNMENT-GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Atlanta CDC Lab	5/14	$82,174.70	1/30/02	3.940% S/A
Atlanta CDC Lab	5/15	$1,458,946.46	1/30/02	3.880% S/A
Chamblee Office Building	5/17	$41,392.69	10/01/26	5.937% S/A
Atlanta CDC Lab	5/17	$2,754.83	1/30/02	3.791% S/A
DEPARTMENT OF EDUCATION				
Tougaloo College	5/10	$43,964.23	9/04/29	5.592% S/A
Tougaloo College	5/10	$244,595.85	9/04/29	5.592% S/A
Barber-Scotia College	5/31	$13,840.47	3/01/30	5.890% S/A
Barber-Scotia College	5/31	$66,958.64	3/01/30	5.890% S/A
RURAL UTILITIES SERVICE				
Washington Electric #655	5/01	$265,000.00	1/02/35	5.712% Qtr.
Western Indiana #594	5/04	$1,750,000.00	1/03/34	5.564% Qtr.

FEDERAL FINANCING BANK
MAY 2001 ACTIVITY

Borrower	Date	Amount of Advance	Final Maturity	Interest Rate
San Patricio Elec. #676	5/07	$1,174,000.00	1/02/35	5.578% Qtr.
Douglas Electric #725	5/08	$175,000.00	10/01/01	3.715% Qtr.
Colquitt Elec. #693	5/09	$7,300,000.00	1/02/35	5.628% Qtr.
Little River Elec. #587	5/09	$2,164,000.00	1/03/34	5.622% Qtr.
La Plata Electric #649	5/11	$5,000,000.00	1/02/35	5.668% Qtr.
South Texas Electric #505	5/11	$588,000.00	12/31/24	5.702% Qtr.
Adams Rural Electric #706	5/14	$500,000.00	1/02/35	5.747% Qtr.
Fleming-Mason Energy #644	5/14	$1,400,000.00	10/01/01	3.764% Qtr.
Burt County Public #669	5/16	$300,000.00	1/02/35	5.826% Qtr.
Maquoketa Valley #636	5/16	$2,000,000.00	1/02/35	5.826% Qtr.
North Central Elec. #638	5/16	$1,500,000.00	1/02/35	5.826% Qtr.
Washington Electric #655	5/17	$140,000.00	1/02/35	5.802% Qtr.
Carroll Elec. #618	5/22	$650,000.00	1/03/34	5.703% Qtr.
Coop. Power Assoc. #450	5/24	$14,837,000.00	9/30/11	5.268% Qtr.
Menard Elec. #518	5/24	$125,000.00	6/30/06	4.933% Qtr.
Tri-State #475	5/24	$7,619,000.00	12/31/25	5.826% Qtr.
United Power Assoc. #432	5/24	$3,114,000.00	9/30/11	5.277% Qtr.
Bartlett Elec. #535	5/25	$300,000.00	1/03/34	5.921% Qtr.
Empire Electric #627	5/25	$2,480,000.00	1/03/34	5.821% Qtr.
Panhandle Rural Elec #572	5/25	$500,000.00	1/03/34	5.821% Qtr.
Brown County Elec. #687	5/29	$250,000.00	10/01/01	3.656% Qtr.
Cherokee Electric #562	5/29	$2,630,000.00	1/02/29	6.763% Qtr.
Hart Elec. #698	5/29	$2,000,000.00	1/02/35	5.752% Qtr.
Newberry Electric #704	5/29	$4,164,000.00	10/01/01	3.656% Qtr.
San Miguel Power #492	5/31	$330,000.00	12/31/31	5.940% Qtr.

S/A is a Semiannual rate.
Qtr. is a Quarterly rate.

FEDERAL FINANCING BANK HOLDINGS
(in millions of dollars)

Program	May 31, 2001	April 30, 2001	Monthly Net Change 5/1/01- 5/31/01	Fiscal Year Net Change 10/1/00- 5/31/01
Agency Debt:				
U.S. Postal Service	$5,889.0	$6,268.4	-$379.4	-$3,373.0
National Credit Union Adm.-CLF	$0.0	$0.0	$0.0	$0.0
Subtotal*	$5,889.0	$6,268.4	-$379.4	-$3,373.0
Agency Assets:				
FmHA-RDIF	$3,070.0	$3,070.0	$0.0	-$340.0
FmHA-RHIF	$5,155.0	$5,155.0	$0.0	-$385.0
DHHS-Medical Facilities	$0.2	$0.2	$0.0	-$0.4
Rural Utilities Service-CBO	$4,270.2	$4,270.2	$0.0	-$56.7
Subtotal*	$12,495.4	$12,495.4	$0.0	-$782.1
Government-Guaranteed Lending:				
DOD-Foreign Military Sales	$2,258.1	$2,271.0	-$12.9	-$132.3
DoEd-HBCU+	$23.7	$23.3	$0.4	$3.0
DHUD-Community Dev. Block Grant	$9.6	$9.7	$0.0	-$1.2
DHUD-Public Housing Notes	$1,278.7	$1,278.7	$0.0	-$69.8
General Services Administration+	$2,290.6	$2,292.4	-$1.8	-$22.0
DOI-Virgin Islands	$13.6	$13.6	$0.0	-$1.1
DON-Ship Lease Financing	$949.1	$949.1	$0.0	-$98.4
Rural Utilities Service	$13,380.7	$13,317.5	$63.3	$391.2
SBA-State/Local Development Cos.	$139.8	$142.6	-$2.9	-$19.4
DOT-Section 511	$3.5	$3.5	$0.0	-$0.1
Subtotal*	$20,347.3	$20,301.3	$46.0	$50.0
Grand total*	$38,731.7	$39,065.1	-$333.4	-$4,105.2

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

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

FEDERAL FINANCING BANK May 30, 2001

Kerry Lanham, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of April 2001.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $39.1 billion on April 30, 2001, posting a decrease of $276.1 million from the level on March 31, 2001. This net change was the result of a decrease in holdings of agency debt of $216.7 million, in holdings of government-guaranteed loans of $59.1 million, and in holdings of agency assets of $0.3 million. FFB made 76 disbursements, and received 15 prepayments during the month of April. The FFB also extended the maturities of 106 loans, and refinanced 28 loans, guaranteed by the Rural Utilities Service.

Attached to this release are tables presenting FFB April loan activity and FFB holdings as of April 30, 2001.

PO-501

FEDERAL FINANCING BANK
APRIL 2001 ACTIVITY

Borrower	Date	Amount of Advance	Final Maturity	Interest Rate
AGENCY DEBT				
U.S. POSTAL SERVICE				
U.S. Postal Service	4/02	$975,000,000.00	4/03/01	4.449% S/A
U.S. Postal Service	4/02	$363,700,000.00	4/03/01	4.346% S/A
U.S. Postal Service	4/03	$825,000,000.00	4/04/01	4.427% S/A
U.S. Postal Service	4/03	$209,400,000.00	4/04/01	4.274% S/A
U.S. Postal Service	4/04	$620,000,000.00	4/05/01	4.346% S/A
U.S. Postal Service	4/04	$229,300,000.00	4/05/01	4.222% S/A
U.S. Postal Service	4/05	$330,000,000.00	4/06/01	4.274% S/A
U.S. Postal Service	4/05	$292,500,000.00	4/06/01	4.232% S/A
U.S. Postal Service	4/06	$180,000,000.00	4/09/01	4.222% S/A
U.S. Postal Service	4/06	$286,600,000.00	4/09/01	4.065% S/A
U.S. Postal Service	4/09	$248,700,000.00	4/10/01	4.056% S/A
U.S. Postal Service	4/13	$270,000,000.00	4/16/01	4.201% S/A
U.S. Postal Service	4/13	$319,800,000.00	4/16/01	4.137% S/A
U.S. Postal Service	4/16	$575,000,000.00	4/17/01	4.137% S/A
U.S. Postal Service	4/16	$331,000,000.00	4/17/01	4.274% S/A
U.S. Postal Service	4/17	$360,000,000.00	4/18/01	4.137% S/A
U.S. Postal Service	4/17	$317,900,000.00	4/18/01	4.243% S/A
U.S. Postal Service	4/18	$175,000,000.00	4/19/01	4.274% S/A
U.S. Postal Service	4/18	$394,400,000.00	4/19/01	4.036% S/A
U.S. Postal Service	4/19	$382,000,000.00	4/20/01	3.994% S/A
U.S. Postal Service	4/20	$700,000,000.00	4/23/01	4.036% S/A
U.S. Postal Service	4/20	$280,300,000.00	4/23/01	3.890% S/A
U.S. Postal Service	4/23	$155,800,000.00	4/24/01	3.870% S/A
U.S. Postal Service	4/27	$250,000,000.00	4/30/01	3.963% S/A
U.S. Postal Service	4/27	$346,500,000.00	4/30/01	3.972% S/A
U.S. Postal Service	4/30	$500,000,000.00	5/01/01	3.953% S/A
U.S. Postal Service	4/30	$418,400,000.00	5/01/01	4.077% S/A
GOVERNMENT-GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Foley Square Office Bldg.	4/10	$28,356.00	7/31/25	5.503% S/A
Chamblee Office Building	4/17	$622.04	10/01/26	5.795% S/A
Atlanta CDC Lab	4/17	$28,541.87	1/30/02	4.347% S/A
Atlanta CDC Lab	4/20	$1,717,549.90	1/30/02	4.056% S/A
ICTC Building	4/24	$245,818.00	11/02/26	5.752% S/A
San Francisco OB	4/25	$194,875.41	8/01/05	4.807% S/A
Atlanta CDC Lab	4/30	$10,048.85	1/30/02	4.021% S/A
DEPARTMENT OF EDUCATION				
Tougaloo College	4/09	$52,456.34	9/04/29	5.382% S/A
Tougaloo College	4/09	$355,219.39	9/04/29	5.382% S/A

FEDERAL FINANCING BANK
APRIL 2001 ACTIVITY

Borrower	Date	Amount of Advance	Final Maturity	Interest Rate
RURAL UTILITIES SERVICE				
*Allegheny Electric #255	4/02	$3,231,063.96	7/02/01	4.414% Qtr.
*Allegheny Electric #255	4/02	$4,616,381.74	7/02/01	4.414% Qtr.
*Allegheny Electric #908	4/02	$815,930.86	7/02/01	4.289% Qtr.
*Allegheny Electric #908	4/02	$2,496,687.30	7/02/01	4.289% Qtr.
*Allegheny Electric #908	4/02	$3,694,988.94	7/02/01	4.289% Qtr.
*A & N Electric #584	4/02	$1,982,000.00	1/03/34	5.392% Qtr.
*Big Sand Elec. #540	4/02	$800,000.00	7/02/01	4.289% Qtr.
*Big Sand Elec. #540	4/02	$600,000.00	7/02/01	4.289% Qtr.
*BLUE GRASS ENERGY #674	4/02	$4,000,000.00	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$3,251,756.02	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$1,444,292.87	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$359,540.79	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$829,302.71	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$1,082,812.39	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$721,084.93	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$414,585.05	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$775,100.41	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$934,244.74	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$301,264.79	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$218,646.12	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$374,782.61	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$219,654.06	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$157,376.01	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$137,105.67	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$75,116.40	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$113,507.85	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$36,533.65	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$1,206,500.20	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$241,265.75	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$910,715.06	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$2,727,966.36	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$1,633,705.10	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$979,078.85	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$591,143.98	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$916,729.77	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$498,042.08	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$1,437,066.10	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$1,731,480.67	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$2,029,689.64	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$830,354.18	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$635,252.83	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$419,410.72	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$1,125,283.72	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$1,462,112.65	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$2,403,787.31	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$2,572,990.77	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$504,512.01	7/02/01	4.289% Qtr.

FEDERAL FINANCING BANK
APRIL 2001 ACTIVITY

Borrower	Date	Amount of Advance	Final Maturity	Interest Rate
*Brazos Electric #917	4/02	$16,324.42	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$860,712.06	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$2,819,810.65	7/02/01	4.289% Qtr.
*Brazos Electric #917	4/02	$2,209,944.46	7/02/01	4.414% Qtr.
*Brazos Electric #437	4/02	$4,129,423.26	7/02/01	4.414% Qtr.
*Brazos Electric #437	4/02	$1,395,470.81	7/02/01	4.414% Qtr.
*Brazos Electric #437	4/02	$316,532.13	7/02/01	4.414% Qtr.
*Brazos Electric #437	4/02	$3,032,061.21	7/02/01	4.414% Qtr.
*Brazos Electric #437	4/02	$1,170,970.47	7/02/01	4.414% Qtr.
*Brazos Electric #437	4/02	$491,854.79	7/02/01	4.414% Qtr.
*Brazos Electric #561	4/02	$11,029,742.43	7/02/01	4.289% Qtr.
*Brazos Electric #561	4/02	$5,551,524.76	7/02/01	4.289% Qtr.
*Brazos Electric #561	4/02	$10,832,554.25	7/02/01	4.289% Qtr.
*Cental Virginia Elec. #593	4/02	$1,000,000.00	1/03/34	5.392% Qtr.
*Central Texas Elec. #520	4/02	$1,990,054.80	3/31/04	4.425% Qtr.
*Central Elec. Power #624	4/02	$2,920,000.00	12/31/30	5.383% Qtr.
*Central Elec. Power #624	4/02	$2,075,000.00	12/31/30	5.383% Qtr.
*Coop. Power Assoc. #130	4/02	$917,392.70	3/31/11	4.916% Qtr.
*Coop. Power Assoc. #156	4/02	$4,521,504.50	3/31/11	4.951% Qtr.
*Coop. Power Assoc. #450	4/02	$2,022,851.05	3/31/11	4.971% Qtr.
*Fleming-Mason Energy #644	4/02	$2,600,000.00	7/02/01	4.289% Qtr.
Fleming-Mason Energy #644	4/02	$1,500,000.00	10/01/01	4.074% Qtr.
*Georgia Trans. Corp. #446	4/02	$11,424,931.82	4/01/02	4.067% Qtr.
*Grayson Rural Elec. #619	4/02	$1,200,000.00	7/02/01	4.289% Qtr.
*Harrison County rural #609	4/02	$1,500,000.00	3/31/31	5.383% Qtr.
*Harrison County #532	4/02	$1,000,000.00	7/02/01	4.289% Qtr.
*Harrison County #532	4/02	$900,000.00	7/02/01	4.289% Qtr.
*Inter-County Energy #592	4/02	$1,500,000.00	7/02/01	4.289% Qtr.
*Inter-County Energy #592	4/02	$2,000,000.00	7/02/01	4.289% Qtr.
*Jackson Energy #527	4/02	$2,500,000.00	3/31/11	4.880% Qtr.
*Karnes Elec. #568	4/02	$1,500,000.00	4/01/02	4.066% Qtr.
*Magnolia Electric #560	4/02	$5,000,000.00	10/01/01	4.198% Qtr.
*Meade County Elec. #662	4/02	$1,300,000.00	7/02/01	4.289% Qtr.
*New Horizon Elec. #473	4/02	$5,011,444.82	3/31/11	4.951% Qtr.
*New Horizon Elec. #473	4/02	$1,342,046.37	3/31/11	4.951% Qtr.
*New Horizon Elec. #473	4/02	$2,171,022.54	3/31/11	4.951% Qtr.
*New Horizon Elec. #473	4/02	$6,434,445.42	3/31/11	4.951% Qtr.
*New Horizon Elec. #473	4/02	$3,276,973.37	3/31/11	4.951% Qtr.
*New Horizon Elec. #473	4/02	$6,678,645.51	3/31/11	4.951% Qtr.
*New Horizon Elec. #473	4/02	$1,686,034.39	3/31/11	4.951% Qtr.
*Nolin Rural Elec. #528	4/02	$1,893,000.00	7/02/01	4.289% Qtr.
*Nolin Rural Elec. #577	4/02	$2,583,000.00	7/02/01	4.289% Qtr.
*Oglethorpe Power #445	4/02	$15,166,843.74	10/01/01	4.199% Qtr.
*Oglethorpe Power #445	4/02	$15,690,867.53	10/01/01	4.199% Qtr.
Pataula Electric #585	4/02	$550,000.00	12/31/03	4.265% Qtr.
*Pee Dee Elec. #547	4/02	$5,530,000.00	3/31/03	4.161% Qtr.
South Texas Electric #505	4/02	$913,500.00	12/31/24	5.446% Qtr.
*Saluda River Elec. #472	4/02	$1,253,638.71	7/02/01	4.414% Qtr.
*San Miguel Electric #919	4/02	$8,476,991.34	7/02/01	4.289% Qtr.
*San Miguel Electric #919	4/02	$8,900,940.10	7/02/01	4.289% Qtr.

FEDERAL FINANCING BANK
APRIL 2001 ACTIVITY

Borrower	Date	Amount of Advance	Final Maturity	Interest Rate
*Steele-Waseca Coop. #550	4/02	$3,695,000.00	1/03/34	5.392% Qtr.
*Steele-Waseca Coop. #550	4/02	$914,000.00	1/03/34	5.392% Qtr.
*Surry-Yadkin Elec. #534	4/02	$1,000,000.00	7/02/01	4.289% Qtr.
*Surry-Yadkin Elec. #534	4/02	$1,000,000.00	7/02/01	4.289% Qtr.
*Surry-Yadkin Elec. #534	4/02	$500,000.00	7/02/01	4.289% Qtr.
*Surry-Yadkin Elec. #534	4/02	$1,000,000.00	7/02/01	4.289% Qtr.
*Surry-Yadkin Elec. #534	4/02	$1,000,000.00	7/02/01	4.289% Qtr.
*United Power Assoc. #432	4/02	$6,153,125.94	3/31/11	4.976% Qtr.
*United Power Assoc. #432	4/02	$2,981,060.24	3/31/11	4.976% Qtr.
*United Power Assoc. #433	4/02	$7,688,038.93	3/31/11	4.976% Qtr.
*Upsala Coop. Tele. #429	4/02	$40,038.27	7/02/01	4.414% Qtr.
*Upsala Coop. Tele. #429	4/02	$327,232.93	7/02/01	4.414% Qtr.
Logan County Coop. #603	4/05	$801,000.00	1/03/34	5.416% Qtr.
Pee Dee Elec. #547	4/05	$2,890,000.00	6/30/04	4.280% Qtr.
Brazos Electric #561	4/06	$8,469,000.00	10/01/01	4.056% Qtr.
Hamilton County Elec. #686	4/06	$1,550,000.00	1/02/35	5.458% Qtr.
Big Sand Elec. #540	4/09	$1,000,000.00	10/01/01	3.929% Qtr.
+Central Elec. Power #923	4/09	$35,192.24	12/31/13	4.873% Qtr.
+Central Elec. Power #923	4/09	$69,597.25	12/31/13	4.873% Qtr.
+Central Elec. Power #923	4/09	$36,632.57	12/31/14	4.920% Qtr.
+Central Elec. Power #923	4/09	$36,565.41	12/31/14	4.920% Qtr.
+Central Elec. Power #923	4/09	$185,407.13	12/31/14	4.920% Qtr.
+Central Elec. Power #923	4/09	$44,587.15	12/31/14	4.920% Qtr.
+Central Elec. Power #923	4/09	$88,608.20	12/31/14	4.920% Qtr.
+Central Elec. Power #923	4/09	$30,499.63	12/31/15	4.969% Qtr.
+Central Elec. Power #923	4/09	$64,567.59	12/31/15	4.969% Qtr.
+Central Elec. Power #923	4/09	$335,140.01	1/03/17	5.022% Qtr.
+Central Elec. Power #923	4/09	$170,486.15	1/03/17	5.022% Qtr.
+Central Elec. Power #923	4/09	$612,315.16	1/03/17	5.022% Qtr.
+Central Elec. Power #923	4/09	$217,882.32	1/03/17	5.022% Qtr.
+Central Elec. Power #923	4/09	$298,443.13	1/03/17	5.022% Qtr.
+Central Elec. Power #923	4/09	$59,683.47	1/03/17	5.022% Qtr.
+Central Elec. Power #923	4/09	$397,294.08	1/03/17	5.022% Qtr.
+Central Elec. Power #923	4/09	$435,082.43	1/03/17	5.022% Qtr.
+Central Elec. Power #923	4/09	$50,330.55	12/31/18	5.132% Qtr.
+Central Elec. Power #923	4/09	$33,786.63	12/31/18	5.132% Qtr.
+Central Elec. Power #923	4/09	$66,335.53	12/31/18	5.132% Qtr.
+Central Elec. Power #923	4/09	$90,194.40	12/31/19	5.185% Qtr.
+Central Elec. Power #923	4/09	$119,674.43	12/31/19	5.185% Qtr.
+Central Elec. Power #923	4/09	$588,694.10	12/31/20	5.235% Qtr.
+Central Elec. Power #923	4/09	$307,246.77	12/31/20	5.235% Qtr.
+Central Elec. Power #923	4/09	$125,196.10	12/31/20	5.235% Qtr.
+Central Elec. Power #923	4/09	$114,479.17	12/31/20	5.235% Qtr.
+Central Elec. Power #923	4/09	$81,948.46	12/31/20	5.235% Qtr.
+Central Elec. Power #923	4/09	$129,553.90	1/03/22	5.278% Qtr.
Grundy County Elec. #689	4/09	$280,000.00	1/02/35	5.377% Qtr.
Jefferson Energy #692	4/09	$2,880,000.00	1/02/35	5.377% Qtr.
Darien Telephone Co. #719	4/10	$1,927,403.00	10/01/01	3.931% Qtr.
E. Iowa Coop. #717	4/10	$3,440,000.00	12/31/35	5.422% Qtr.
East Kentucky Power #413	4/10	$9,681,000.00	12/31/24	5.326% Qtr.

FEDERAL FINANCING BANK
APRIL 2001 ACTIVITY

Borrower	Date	Amount of Advance	Final Maturity	Interest Rate
Red River Valley #484	4/10	$600,000.00	1/03/33	5.534% Qtr.
Agralite Elec. #543	4/13	$402,000.00	1/03/34	5.550% Qtr.
Inter-County Energy #592	4/13	$221,000.00	10/01/01	4.079% Qtr.
Meeker Cooperative #699	4/13	$845,000.00	1/02/35	5.553% Qtr.
Oneida-Madison Elec. #582	4/13	$75,000.00	1/03/34	5.480% Qtr.
Central Iowa Power #442	4/16	$2,900,000.00	12/31/29	5.667% Qtr.
South Texas Electric #505	4/16	$590,000.00	12/31/24	5.619% Qtr.
N. Pittsburgh Tele. #449	4/18	$4,701,000.00	12/31/12	5.145% Qtr.
Central Elec. Power #624	4/19	$6,565,000.00	12/31/30	5.562% Qtr.
Harrison County rural #609	4/19	$1,000,000.00	1/03/34	5.573% Qtr.
Rural Elec. Conven. #613	4/19	$449,000.00	1/03/34	5.573% Qtr.
Socorro Elec. #541	4/19	$910,000.00	1/03/33	5.569% Qtr.
Block Island Power #652	4/20	$396,963.00	12/31/24	5.622% Qtr.
Clark Energy Coop. #611	4/20	$3,000,000.00	10/01/01	3.916% Qtr.
Ellerby Telephone #635	4/23	$217,987.00	6/30/11	5.187% Qtr.
Piedmont Tel. #566	4/23	$528,000.00	6/30/11	5.178% Qtr.
Duck River E.M.C. #656	4/24	$4,548,000.00	3/31/11	5.144% Qtr.
Irwin Electric #715	4/26	$2,030,000.00	1/02/35	5.704% Qtr.
Fleming-Mason Energy #644	4/27	$2,200,000.00	10/01/01	3.810% Qtr.
Lake Region Elec. #591	4/27	$591,000.00	12/31/29	5.600% Qtr.
Lake Region Elec. #712	4/27	$5,819,000.00	1/02/35	5.626% Qtr.
Missoula Elec. #688	4/27	$1,590,000.00	12/31/29	5.602% Qtr.
Rio Grand Electric #615	4/27	$350,000.00	6/30/03	4.170% Qtr.
Rio Grand Electric #615	4/27	$350,000.00	6/30/11	5.152% Qtr.
Rio Grand Electric #615	4/27	$380,000.00	1/03/34	5.621% Qtr.
Farmers Telephone #399	4/30	$2,016,854.00	12/31/01	4.000% Qtr.
Ocmulgee Electric #654	4/30	$1,000,000.00	1/02/35	5.734% Qtr.

S/A is a Semiannual rate.
Qtr. is a Quarterly rate.
* maturity extension or interest rate reset
\+ 306C refinancing

FEDERAL FINANCING BANK HOLDINGS
(in millions of dollars)

Program	April 30, 2001	March 31, 2001	Monthly Net Change 4/1/01- 4/30/01	Fiscal Year Net Change 10/1/00- 4/30/01
Agency Debt:				
U.S. Postal Service	$6,268.4	$6,481.1	-$212.7	-$2,993.6
National Credit Union Adm.-CLF	$0.0	$4.0	-$4.0	$0.0
Subtotal*	$6,268.4	$6,485.1	-$216.7	-$2,993.6
Agency Assets:				
FmHA-RDIF	$3,070.0	$3,070.0	$0.0	-$340.0
FmHA-RHIF	$5,155.0	$5,155.0	$0.0	-$385.0
DHHS-Medical Facilities	$0.2	$0.5	-$0.3	-$0.4
Rural Utilities Service-CBO	$4,270.2	$4,270.2	$0.0	-$56.7
Subtotal*	$12,495.4	$12,495.7	-$0.3	-$782.1
Government-Guaranteed Lending:				
DOD-Foreign Military Sales	$2,271.0	$2,273.7	-$2.7	-$119.4
DoEd-HBCU+	$23.3	$22.9	$0.4	$2.6
DHUD-Community Dev. Block Grant	$9.7	$9.7	$0.0	-$1.1
DHUD-Public Housing Notes	$1,278.7	$1,278.7	$0.0	-$69.8
General Services Administration+	$2,292.4	$2,292.8	-$0.4	-$20.2
DOI-Virgin Islands	$13.6	$13.6	$0.0	-$1.1
DON-Ship Lease Financing	$949.1	$949.1	$0.0	-$98.4
Rural Utilities Service	$13,317.5	$13,371.4	-$53.9	$328.0
SBA-State/Local Development Cos.	$142.6	$145.1	-$2.5	-$16.5
DOT-Section 511	$3.5	$3.5	$0.0	-$0.1
Subtotal*	$20,301.3	$20,360.4	-$59.1	$4.0
Grand total*	$39,065.1	$39,341.2	-$276.1	-$3,771.8

* 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

U.S. International Reserve Position 7/24/01

The Treasury Department today released U.S. reserve assets data for the week ending July 20, 2001. As indicated in this table, U.S. reserve assets totaled $65,634 million as of July 20, 2001, up from $64,845 million as of July 13, 2001.

(in US millions)

I. Official U.S. Reserve Assets		July 13, 2001			July 20, 2001		
	TOTAL	64,845			65,634		
1. Foreign Currency Reserves [1]		Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities		5,128	10,565	15,692	5,252	10,728	15,979
Of which, issuer headquartered in the U.S.				0			0
b. Total deposits with:							
b.i. Other central banks and BIS		8,677	4,574	13,251	8,874	4,645	13,519
b.ii. Banks headquartered in the U.S.				0			0
b.ii. Of which, banks located abroad				0			0
b.iii. Banks headquartered outside the U.S.				0			0
b.iii. Of which, banks located in the U.S.				0			0
2. IMF Reserve Position [2]				14,424			*14,561*
3. Special Drawing Rights (SDRs) [2]				10,433			*10,532*
4. Gold Stock [3]				11,044			11,044
5. Other Reserve Assets				0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for July 13 are final. The entries in the table above for July 20 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of May 31, 2001. The April 30, 2001 value was $11,046 million.

PO-502

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	July 13, 2001	July 20, 2001
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	July 13, 2001	July 20, 2001
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

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
July 24, 2001

CONTACT: Tara Bradshaw
(202) 622-2960

UNITED STATES AND UNITED KINGDOM SIGN NEW INCOME TAX CONVENTION

The Treasury Department announced Tuesday that Secretary of the Treasury Paul H. O'Neill and U.K. Chancellor of the Exchequer Gordon Brown signed a new income tax Convention between the United States and the United Kingdom during Secretary O'Neill's trip to London. The new Convention will replace the existing Convention between the United States and the United Kingdom, which has been in effect since 1980.

Welcoming the Convention, Secretary O'Neill commented:

"The new Convention we have signed today will modernize the tax treatment of cross-border trade and investment between the United States and the United Kingdom to reflect the increasing importance of international activity to our economies and developments in our tax laws during the last two decades. What has not changed over these many years, however, is the importance of our transatlantic relationship in the field of taxation. The similarities in our tax systems and the high level of investment in both directions make this treaty unique in the U.S. tax treaty program. As a reflection of this continuing cooperation and our close economic ties, the new Convention is the first U.S. tax treaty to eliminate in certain cases the withholding tax on dividends. By eliminating this tax, the new Convention will encourage cross-border investment and foster still-closer economic ties between our two great nations."

Diplomatic notes interpreting a number of provisions of the new Convention were exchanged at the time of signing. The proposed Convention is subject to ratification in accordance with the procedures of each country. In the United States, this requires that the signed treaty be transmitted to the Senate for its advice and consent to ratification.

The new agreement generally will modernize the bilateral relationship, with an emphasis on the treatment of cross-border investment and the tax treatment of pension contributions.

The most significant changes from the existing Convention deal with the treatment of cross-border dividends. Under the proposed Convention, most dividends received by a company in one country from its subsidiary in the other country will be exempt from tax in the subsidiary's home country. The existing Convention allows the source country to impose withholding tax on such dividends at a maximum rate of 5%.

PO-503

This is the first U.S. income tax treaty to provide a zero rate of withholding tax on dividends from subsidiaries. In addition, the treaty provides a zero rate of withholding tax on dividends received by qualifying pension funds. The treaty also eliminates several provisions of the existing treaty that dealt with the recently-repealed U.K. Advance Corporation Tax and therefore are no longer necessary.

The new treaty contains provisions dealing with cross-border contributions to pension plans and the taxation of gain upon the exercise of stock options that are designed to eliminate some of the tax barriers that might otherwise discourage executives and other workers from accepting overseas assignments. In addition to the standard provisions that are in many of our treaties, the new treaty will be the first to allow U.S. citizens resident in another country to deduct, for U.S. tax purposes, contributions made to a foreign pension plan. These provisions relating to pensions and options represent a recognition of the increasing frequency with which executives and other employees move between countries during their careers.

Copies of the new convention and the exchange of notes are available on the Internet at www.treas.gov/taxpolicy/library/uktreaty.pdf and www.treas.gov/taxpolicy/library/uknotes.pdf respectively, or from the Office of Public Affairs, Treasury Department, Room 2321, Washington, D.C. 20220.

-30-

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
July 25, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Interest Rate:	3 7/8%	Issue Date:	July 31, 2001
Series:	S-2003	Dated Date:	July 31, 2001
CUSIP No:	9128277A4	Maturity Date:	July 31, 2003

High Yield: 3.965% Price: 99.829

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 45.37%. All tenders at lower yields were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 28,421,275	$ 10,915,461
Noncompetitive	1,084,587	1,084,587
SUBTOTAL	29,505,862	12,000,048 1/
Federal Reserve	4,000,000	4,000,000
TOTAL	$ 33,505,862	$ 16,000,048

Median yield 3.940%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 3.900%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

BID-TO-COVER RATIO = 29,505,862 / 12,000,048 = 2.46
NO FIMA NONCOMPETITIVE BIDS WERE TENDERED IN TODAY'S AUCTION. THE STRIPS MINIMUM IS $1,000.

1/ Awards to TREASURY DIRECT = $888,198,000

DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 10:00 A.M.
July 26, 2001

Contact: Tony Fratto
(202) 622-2960

DEPOSIT INSURANCE REFORM TESTIMONY OF SHEILA C. BAIR ASSISTANT SECRETARY FOR FINANCIAL INSTITUTIONS U.S. DEPARTMENT OF THE TREASURY

BEFORE THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT COMMITTEE ON FINANCIAL SERVICES U.S. HOUSE OF REPRESENTATIVES

Mr. Chairman, Congresswoman Waters, and Members of the Subcommittee, I appreciate the opportunity to comment on the Federal Deposit Insurance Corporation's recent paper recommending reform of the deposit insurance system. The FDIC staff and former Chairman Donna Tanoue should be commended for initiating the policy discussion of deposit insurance reform. The FDIC staff report is a thoughtful document that provides a useful starting point for this important review.

We are also grateful for the Subcommittee's initiative in holding a series of hearings on the FDIC's report. The Treasury Department has a substantial interest in this issue as we have a critical role to play in deposit insurance. The deposit insurance funds have authority to borrow up to $30 billion from the U.S. Treasury. In addition, Congress has assigned to the Secretary of the Treasury the responsibility for determining, upon the recommendation of the FDIC Board and the Federal Reserve Board and in consultation with the President, whether the resolution of a failed bank poses a systemic risk to the financial system. Our comments, at this time, are general in nature, focusing on the key policy issues raised in the FDIC paper. We look forward to working with the Subcommittee on the details of implementing reforms in the near future.

We are in *general agreement* with the FDIC report on three points. First, the potential pro-cyclical effects of deposit insurance pricing and reserving should be reduced; reserves should be allowed to grow when conditions are good in order to better absorb losses under adverse conditions without sharp increases in premiums. Second, all insured depository institutions should pay premiums on current deposits, with potential rebates taking into account each institution's recent history of premium payments. Third, the bank and thrift insurance funds should be merged.

PO-505

However, we have *different views* in two areas. First, we would give priority to reforms that would charge every institution a premium on current deposits that is relatively stable over time, and we would prefer not to extend the complexity of the risk-based premium structure at this stage. Second, the deposit insurance coverage level should remain unchanged.

Reducing the Pro-cyclical Effects of Deposit Insurance Pricing and Reserve Policies

The potential pro-cyclical effects of deposit insurance pricing and reserving should be reduced; reserves should be allowed to grow when conditions are good in order to better absorb losses under adverse conditions without sharp increases in premiums. The existing designated reserve ratio of 1.25 percent of reserves to insured deposits was historically derived roughly as the average reserve ratio over part of the FDIC's history. As such, it is reasonable to first ask whether it is representative of the FDIC's current and prospective risks.

The reforms that the Congress adopted in the late 1980s and early 1990s have in important ways served to protect taxpayers and should in principle have reduced the FDIC's loss exposure. Congress required the FDIC to maintain reserves equal to 1.25 percent of insured deposits and, if losses cause the fund to fall below that target, to assess the banking industry whatever is necessary to replenish reserves. Furthermore, reforms that raised bank capital requirements, mandated supervisors to take prompt corrective action when a bank becomes troubled, and required the FDIC to resolve failures in the least costly manner all have served to reduce the risk of loss to the insurance funds. While these reforms have likely lowered the FDIC's risks, they have not yet been tested in a severe adverse environment.

It should also be noted that some trends during the past decade have probably increased certain risks that the FDIC faces. Banking industry consolidation has increased the probability that reserves could be depleted by the failure of a few very large banks. And increased industry dependence on secured borrowings in recent years may also reduce the FDIC's ability to recover funds from a failed bank.

Even if the current designated reserve ratio is retained, it should be noted that it was originally based on the *average* reserve ratio over some historical period. Thus it is logical to provide for reserve growth above that level when conditions are good (and for reserves to decline below that level when conditions are unfavorable).

Allowing growth above a designated reserve ratio in good times, or growth within a wide range, would not only afford greater room for the insurance fund to handle bank failures without exhausting its resources, but it would allow for more stable premiums that would smooth over time the costs borne by the industry. The FDIC would be better able to avoid imposing sharp premium increases on the industry, which could have a counterproductive pro-cyclical effect when the economy is under stress.

In this context, the Treasury believes that it would be appropriate to eliminate the existing requirement that premiums rise to a minimum of 23 cents per $100 of domestic deposits when the fund is expected to fall short of the designated reserve ratio for more than a year.

The FDIC's recommendations suggest two ways to mitigate the pro-cyclical effects of deposit insurance pricing: (1) allow the reserve ratio to fluctuate within a (relatively narrow) range, within which premiums would not change; and (2) whether or not a range is established, allow for surcharges or rebates that are designed to bring reserves back to the designated reserve ratio – or back within the target range – gradually over a period of years. The FDIC's suggested range (only 10 basis points above or below the designated reserve ratio) is quite narrow, and we believe that a much wider range would more effectively smooth premium expenses over time. Furthermore, the FDIC Board should have some discretion to adjust the range within which the reserve ratio may fluctuate in response to changes in industry risks and conditions.

While we believe that premiums should be structured to limit pro-cyclical effects, designing potential means to accomplish this will be a challenge. Even with an ample range within which the reserve ratio can fluctuate, the existence of a target ceiling and floor on reserves, in itself, imposes a pro-cyclical bias in pricing – due to the necessity that some surcharge would have to apply when reserves fall below the floor. To offset this pro-cyclical bias, it may be necessary to give the FDIC Board discretion to modulate increases in premiums in some manner consistent with the overall health of the banking industry. Considerable attention will be required to develop practical formulas to achieve the desired counter-cyclical effects.

Charging All Institutions a Premium Based on Current Deposits

All insured depository institutions should pay premiums on current deposits, with potential rebates taking into account each institution's recent history of premium payments. Banks and thrifts benefit every day from deposit insurance, and they should compensate the FDIC for that benefit, preferably through relatively small, steady premiums. Most banks and thrifts now pay no premiums for deposit insurance, which creates incentives to increase deposits and thus raises the FDIC's uncompensated risk exposure.

The FDIC's existing capacity to absorb losses comes primarily from the high premiums paid by institutions in the first half of the 1990s. More recently, some institutions have been able to rapidly increase their reliance on insured deposits without providing any compensation to the FDIC. In addition, hundreds of other banks and thrifts chartered within the past few years have never paid deposit insurance premiums.

A deposit insurance system where all banks and thrifts pay modest premiums could still allow for rebates when reserves grow beyond some upper bound. If such a system were designed, we would agree with the FDIC staff's suggestion that any rebates be based on each bank's past contributions to the insurance fund. In addition, having premiums based on current deposits combined with rebates based on past contributions would over time require proportionally greater net payments from institutions with rapidly increasing deposits than from institutions with deposits growing more slowly or declining.

While we agree with the FDIC staff report to this point, the FDIC goes further in advocating a substantial refinement of the current system of risk-based premiums. In fact, a revised risk-based premium structure is central to the FDIC proposal.

Although the idea of risk-based premiums has conceptual appeal, we would give priority to reforms that would charge every institution a premium on current deposits that is relatively stable over time, and we would prefer not to extend the complexity of the risk-based premium structure at this stage. Congress authorized the FDIC in 1991 to establish risk-based premiums, and the FDIC developed a matrix of rates that at present range from zero to 27 basis points based on an institution's capital and supervisory rating. Statutory restraints imposed in 1996, however, have prevented the FDIC from charging most banks and thrifts any premium.

Ideally, an institution's risk-based premium should account for the riskiness of its assets, the structure of its liabilities, the strength of its capital base and management, and the effect that its failure would have on insurance fund reserves. Differences in premiums between a very healthy, low-risk bank and a weak bank may have to be quite large to have the desired behavioral effects. Risk adjustments to premiums should also consider the interaction between risk-based capital requirements, prompt corrective action and bank closure rules, and deposit insurance. Given these considerations, we think that the calibration of risk-based premiums to provide the desired incentives would prove very challenging. Thus, while the FDIC should have authority to charge every institution a premium on current deposits that is not subject to sharp fluctuations over time, we would recommend that any further adjustments to risk-based premium categories and rates be pursued at a later stage.

While we recommend that all institutions pay premiums assessed on current deposits, we also feel that it would be a missed opportunity not to consider what should constitute the assessment base. Under the current structure, to the extent that banks are assessed at all, they are charged only on banks' total domestic deposits. Yet, in the event of bank failure, secured liabilities have a higher claim than domestic deposits (and the FDIC, which would assume the claims of insured depositors) on bank assets. Thus increased reliance on secured liabilities by depository institutions may increase the FDIC's loss exposure. The Gramm-Leach-Bliley Act, by giving community banks broader access to Federal Home Loan Bank (FHLB) advances, has accentuated our concerns about these potential risks. Reform efforts should consider whether the existing assessment base should be modified to account for the effect of liability structure on FDIC's expected losses.

Merging the Bank and Thrift Insurance Funds

The bank and thrift insurance funds should be merged. We strongly support a merger of the bank (BIF) and thrift (SAIF) insurance funds. A larger, combined insurance fund would have a greater ability to diversify its risks than either fund separately. It would make sense to merge the funds while the industry is strong and while a merger would not unduly burden either BIF or SAIF members. A merged fund would also prevent the possibility that institutions posing similar risks could pay significantly different premiums for the same FDIC insurance, as was the case in 1995 and 1996.

Incentives created by a premium disparity could result in a wasteful expenditure of industry resources in order to avoid higher assessments. Finally, a merger would underscore the fact that BIF and SAIF are already hybrid funds: each one insures the deposits of commercial banks, savings banks, and savings associations. Indeed, commercial banks now account for over 40 percent of all SAIF-insured deposits. A merger would simply recognize the commingling of the funds that has already taken place and that is likely to continue.

Deposit Insurance Coverage Level

The deposit insurance coverage level should remain unchanged. We see no evidence that the current limit on deposit insurance coverage is burdensome to consumers. Nor do we see evidence that increasing coverage across the board would enhance competition in the banking industry. Moreover, an increase in the coverage level would increase risk to the FDIC and, ultimately, taxpayers. Thus it would be imprudent to increase the FDIC's exposure at this time by raising the deposit insurance limit.

Increasing the deposit insurance limit would do little for the typical saver, given that the median deposit balance is far below the current ceiling. According to the most recent consumer finance survey data from the Federal Reserve, only 2 percent of households with deposit accounts held any uninsured deposits. The median income of these households was approximately double the median income of households with deposits under $100,000. Thus, any potential benefit from expanding deposit insurance coverage would likely accrue primarily to upper-income individuals.

Ample opportunities already exist for savers with substantial deposits to obtain FDIC coverage equal to several multiples of $100,000. Without much difficulty, they may place deposits in several FDIC-insured institutions or establish accounts within the same institution under different legal capacities that qualify for separate coverage (individual, joint, and IRA accounts). In addition, many consumers feel completely comfortable putting substantial amounts into uninsured but relatively safe money market mutual funds. It is not surprising, therefore, that we have found no evidence of consumers expressing concern about the existing deposit insurance limits.

Competition is critical to keeping banks vital and promoting consumer benefits. Since the existing coverage limit does not appear to restrain consumer benefits, we are deeply skeptical that an increase in the coverage level would promote competition and have a meaningful impact on the ability of community banks to obtain funds.

To the extent that an increase in coverage does result in a conversion of uninsured liabilities to insured deposits, the resulting financial safety net expansion would reduce incentives for market discipline and potentially increase financial system risk. The large increase in insurance coverage at the beginning of the 1980s was, of course, only one of several factors leading to the subsequent savings and loan and commercial bank problems. Nonetheless, it surely contributed to excessive risk-taking by many depository institutions that failed and raised the ultimate cost of those failures.

Funding of Supervision Costs

In considering reform of deposit insurance pricing, it is important to recognize that a significant portion of insurance fund expenditures is not for the resolution of failing institutions, but for the FDIC's supervision of almost 5,600 state-chartered commercial and savings banks. While these state banks pay fees for the fraction of supervision performed by state authorities, they are not charged fees for the significant share of supervision that is performed by the FDIC. National banks and savings associations, by contrast, are charged for 100 percent of their supervision, and in addition must subsidize FDIC's costs to supervise state banks through their contributions to the insurance funds (and the fund's earnings on those contributions). This uneven distribution of supervision costs is a real problem that should be addressed. All of the federal and state bank supervisory agencies should continue to have the resources necessary to promote safety and soundness. We believe that the OCC's proposal is an interesting approach that deserves further consideration, and there may be other approaches and considerations that should also be explored. We look forward to working with incoming FDIC Chairman Powell and the FDIC Board to devise a solution to this problem.

Thank you for the opportunity to appear here today. I look forward to working with the Subcommittee on these issues.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 9:00 A.M.
July 25, 2001

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Office of Public Affairs
202-622-2960

TREASURY ANNOUNCES DEBT BUYBACK OPERATION

On July 26, 2001, the Treasury will buy back up to $1,000 million par of its outstanding callable issues with final maturity between February 2010 and November 2014. Treasury reserves the right to accept less than the announced amount.

This debt buyback (redemption) operation will be conducted by Treasury's Fiscal Agent, the Federal Reserve Bank of New York, using its Open Market operations system. Only institutions that the Federal Reserve Bank of New York has approved to conduct Open Market transactions may submit offers on behalf of themselves and their customers. Offers at the highest accepted price for a particular issue may be accepted on a prorated basis, rounded up to the next $100,000. As a result of this rounding, the Treasury may buy back an amount slightly larger than the one announced above.

This debt buyback operation is governed by the terms and conditions set forth in 31 CFR Part 375 and this announcement.

The debt buyback operation regulations are available on the Bureau of the Public Debt's website at www.publicdebt.treas.gov.

Details about the operation and each of the eligible issues are given in the attached highlights.

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Attachment

PO-506

HIGHLIGHTS OF TREASURY DEBT BUYBACK OPERATION

July 25, 2001

Par amount to be bought back .. Up to $1,000 million
Operation date .... July 26, 2001
Operation close time .... 11:00 a.m. eastern daylight saving time
Settlement date .... July 30, 2001
Minimum par offer amount $100,000
Multiples of par $100,000
Format for offers ..... Expressed in terms of price per $100 of par with three decimals. The first two decimals represent fractional 32nds of a dollar. The third decimal represents eighths of a 32nd of a dollar, and must be a 0, 2, 4, or 6.
Delivery instructions .... ABA Number 021001208 FRB NYC/CUST

Treasury issues eligible for debt buyback operation (in millions):

Coupon Rate (%)	Maturity Date	CUSIP Number	Par Amount Outstanding*	Par Amount Privately Held*
11.750	02/15/05-10	912810 CM 8	2,315	1,457
10.000	05/15/05-10	912810 CP 1	2,987	1,811
12.750	11/15/05-10	912810 CS 5	4,081	2,821
13.875	05/15/06-11	912810 CV 8	3,545	2,471
14.000	11/15/06-11	912810 CY 2	4,048	3,073
10.375	11/15/07-12	912810 DB 1	10,452	8,533
12.000	08/15/08-13	912810 DF 2	13,459	10,418
13.250	05/15/09-14	912810 DJ 4	4,481	3,611
12.500	08/15/09-14	912810 DL 9	4,781	3,875
11.750	11/15/09-14	912810 DN 5**	6,006	4,811
		Total	56,155	42,881

* Par amounts are as of July 24, 2001.

** This is the only callable security eligible for the STRIPS Program. As of July 23, 2001, the par amount held as STRIPS is $3,802 million.

The difference between the par amount outstanding and the par amount privately held is the par amount of those issues held by the Federal Reserve System and Federal Government accounts.

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EMBARGOED UNTIL 2:30 P.M.
July 26, 2001

Contact: Tony Fratto
(202) 622-2960

STATEMENT OF HENRIETTA HOLSMAN FORE
NOMINEE FOR DIRECTOR OF THE MINT
BEFORE THE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
UNITED STATES SENATE

Thank you Chairman Sarbanes, Ranking Member Gramm and Members of the Committee on Banking, Housing and Urban Affairs. I am honored that President Bush has nominated me to serve as Director of the Mint and I thank you for the privilege of appearing here today. If confirmed, I will have the opportunity and the challenge to work with Treasury Secretary Paul O'Neill and to meet his high standards for operating a world class production facility. I will work to deliver the benefits of quality, efficiency and worker safety. President Bush has outlined an administration that is business-like in its approach to government. That is the approach I intend to take.

Americans have come to expect a safe and reliable currency in our pockets, in our cash registers, in the vending machines, and in the transit fare turnstiles across our nation. Our currency must be smart, with an electromagnetic signature; it must be durable to last through 30 years of trips to the beach, fast food counters, and through laundry machines. And our coinage must tell the story of our nation, passing along the chronicle of our nation' s rich heritage. We have a responsibility to educate the public about their history, for it was an urgent, but not a simple matter when the Senate and the House assembled in 1792, and set the standards for a Mint to create the nation' s coinage. The Coin Act also required the Mint to protect and account for the nation' s treasure, which it still does today. And I will have a challenge to encourage and maintain the enthusiasm of the coin collecting community.

If confirmed, I look forward to working closely with this Committee, the Senate and with members of the House of Representatives. I have had the pleasure of working with you before and look forward to doing so again. I believe in the idea that every American should serve their nation' s interests and should bring with them the ideas of other arenas. For me, those arenas are business and non-profit.

I was born in Chicago, Illinois, grew up in California, and graduated from Wellesley College in 1970. I worked in General Services Administration and received a Masters in Public Administration from the University of Northern Colorado. For the past 24 years I have managed and owned a wire and metal products manufacturing company servicing the construction industry with factories in Nevada, Arizona and California.

PO-507

From 1989-1993 I served in the U.S. Agency for International Development and was confirmed twice by the Senate, once as Assistant Administrator for Private Enterprise and once as Assistant Administrator for Asia. Since that time, I have served on several non-profit and public corporate boards, traveled, and run my business. These experiences have exposed me to different aspects of America' s interests that, I believe, better prepare me for the challenge at hand. It would be an honor to again serve in government.

Thank you, Mr. Chairman. I would be pleased to answer any questions.

-30-

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For Immediate Release
July 26, 2001

Contact: Tara Bradshaw
(202) 622-2014

TREASURY TO MAIL OUT 8.1 MILLION CHECKS ON FRIDAY

Tomorrow the Treasury Department will send out 8.1 million advance payment checks to taxpayers for more than $3.4 billion in tax relief. These checks will be sent to taxpayers whose last two digits of their Social Security numbers are 10-19.

Week Two (July 27) Social Security Numbers 10-19
Number of Checks 8.1 million
Amount of Relief $3.4 billion

Week One (July 20) Social Security Numbers 00-09
Number of Checks 7.9 million
Amount of Relief $3.3 billion

The Treasury Department will announce every week the number of checks that are being mailed out for that week, and the amount of tax relief that is being sent to taxpayers. Checks will be mailed over a ten-week period, according to the last two digits of the taxpayers Social Security number. Notices from the Internal Revenue Service that tells taxpayers the amount of their check and when they should expect it have been mailed. Single taxpayers will get a check up to $300, head of household up to $500 and married couples filing jointly will get up to $600.

Because the Social Security number determines when checks are mailed, taxpayers may receive their checks at different times than their neighbors or other family members. On a joint return, the first number listed will set the mailout time.

PO-508

If the last two digits of your <u>Social Security number are</u>:	**You should receive your check <u>the week of</u>:**
00 - 09	July 23
10 - 19	July 30
20 - 29	August 6
30 - 39	August 13
40 - 49	August 20
50 - 59	August 27
60 - 69	September 3
70 - 79	September 10
80 - 89	September 17
90 - 99	September 24

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EMBARGOED UNTIL 2:30 P.M.
July 26, 2001

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 $29,000 million to refund $20,015 million of publicly held bills maturing August 2, 2001, and to raise about $8,985 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $10,775 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders in these auctions or the 4-week bill auction to be held next week. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of each auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers have requested that we reinvest their maturing holdings of approximately $1,141 million into the 13-week bill and $1,231 million into the 26-week bill.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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.

PO-509

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Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED AUGUST 2, 2001

July 26, 2001

Offering Amount	$15,000 million	$14,000 million
Public Offering	Offering amount less the amount awarded to FIMA accounts	

Description of Offering:

Term and type of security	91-day bill	182-day bill
CUSIP number	912795 HU 8	912795 JE 2
Auction date	July 30, 2001	July 30, 2001
Issue date	August 2, 2001	August 2, 2001
Maturity date	November 1, 2001	January 31, 2002
Original issue date	May 3, 2001	August 2, 2001
Currently outstanding	$12,311 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 million at the highest discount rate of accepted competitive bids.

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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 Rate ....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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FOR IMMEDIATE RELEASE
July 26, 2001

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Office of Public Affairs
202-622-2960

TREASURY DEBT BUYBACK OPERATION RESULTS

Today, Treasury completed a debt buyback (redemption) operation for $1,000 million par of its outstanding callable issues. A total of 10 callable issues with final maturity between February 2010 and November 2014 were eligible for this operation. The settlement date for this operation will be July 30, 2001. Summary results of this operation are presented below.

(amounts in millions)

Offers Received (Par Amount):	$6,078
Offers Accepted (Par Amount):	1,000
Total Price Paid for Issues (Less Accrued Interest):	1,384
Number of Issues Eligible:	
For Operation:	10
For Which Offers were Accepted:	2
Weighted Average Yield to Call of all Accepted Offers (%):	5.131
Weighted Average Maturity to Call for all Accepted Securities (in years):	6.9

Details for each issue accompany this release.

PO-510

July 26, 2001

TREASURY DEBT BUYBACK OPERATION RESULTS

(amounts in millions, prices in decimals)

Table I

Coupon Rate (%)	Maturity Date	Par Amount Offered	Par Amount Accepted	Highest Accepted Price	Weighted Average Accepted Price
11.750	2/15/05-10	206	0	N/A	N/A
10.000	5/15/05-10	580	0	N/A	N/A
12.750	11/15/05-10	299	0	N/A	N/A
13.875	5/15/06-11	239	0	N/A	N/A
14.000	11/15/06-11	360	0	N/A	N/A
10.375	11/15/07-12	687	148	128.171	128.142
12.000	8/15/08-13	1,659	852	140.171	140.125
13.250	5/15/09-14	568	0	N/A	N/A
12.500	8/15/09-14	845	0	N/A	N/A
11.750	11/15/09-14	635	0	N/A	N/A

Table II

Coupon Rate (%)	Maturity Date	CUSIP Number	Lowest Accepted Yield to Call	Weighted Average Accepted Yield to Call	Par Amount Privately Held*
11.750	2/15/05-10	912810CM8	N/A	N/A	1,457
10.000	5/15/05-10	912810CP1	N/A	N/A	1,811
12.750	11/15/05-10	912810CS5	N/A	N/A	2,821
13.875	5/15/06-11	912810CV8	N/A	N/A	2,471
14.000	11/15/06-11	912810CY2	N/A	N/A	3,073
10.375	11/15/07-12	912810DB1	5.085	5.090	8,385
12.000	8/15/08-13	912810DF2	5.131	5.138	9,566
13.250	5/15/09-14	912810DJ4	N/A	N/A	3,611
12.500	8/15/09-14	912810DL9	N/A	N/A	3,875
11.750	11/15/09-14	912810DN5	N/A	N/A	4,811

Total Par Amount Offered: 6,078

Total Par Amount Accepted: 1,000

Note: Due to rounding, details may not add to totals.

*Amount outstanding after operation. Calculated using amounts reported on announcement.

DEPARTMENT OF THE TREASURY

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For Immediate Release
July 26, 2001

Contact: Tara Bradshaw
(202) 622-2960

TREASURY, IRS CRACK DOWN ON ANOTHER TAX SHELTER

The Treasury Department and the Internal Revenue Service today issued a notice to shut down another tax shelter. The shelter involves a series of pre-arranged steps with the purpose of creating an artificially high tax basis in stock, which is sold at a loss.

The Notice is another step in Treasury's efforts to address attempts to evade tax. The Notice warns all taxpayers that engage in the transaction that the IRS intends to challenge the asserted tax benefits. In addition, the Notice informs corporate taxpayers of their obligation to disclose their participation in the transaction and informs promoters of their obligation to register the transaction and keep lists of customers that engage in the transaction.

The Treasury Department is working with the IRS, particularly the Office of Tax Shelter Analysis, to review existing rules and procedures to ensure that all taxpayers pay the appropriate amount of tax.

Description of transaction in the Notice:

In the type of transaction described in the Notice, a U.S. taxpayer owns stock options to purchase 50% or more in a foreign corporation ("first corporation"). Therefore the U.S. taxpayer and the first corporation are considered related parties for tax purposes. The U.S. taxpayer and the first corporation each own stock in a second corporation. The second corporation then redeems its stock held by the first corporation and the first corporation treats the redemption as a dividend because it is related to the U.S. taxpayer. The U.S. taxpayer claims that the first corporation's cost for the redeemed stock attaches to the U.S. taxpayer's stock in the second corporation. Then, the U.S. taxpayer sells its stock of the second corporation and claims a loss.

-30-

PO-511

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

MEDIA ADVISORY

For Planning Purposes Only
July 27, 2001

Contact Tony Fratto
at 202-622-2960

Secretary O'Neill to meet with Hispanic Business Leaders

On Monday, July 30, 2001, Treasury Secretary Paul O'Neill will meet with a group of Hispanic business leaders for a wide-ranging discussion of economic issues affecting America's Hispanic business community including opportunities to expand hemispheric trade.

The meeting will start at 2:00 PM **and photo and video media only will have the opportunity to cover the start of the meeting**.

This opportunity is **open to photographers and video** crews with Treasury or White House press credentials; those needing credentials should contact Frances Anderson in Treasury's Office of Public Affairs (202-622-2960) to obtain clearance passes.

WHO: Treasury Secretary Paul O'Neill
Hispanic Business Leaders

WHAT: Roundtable Discussion
Photo Opportunity

WHEN: Monday, July 30, 2001
2:00 – 2:10 PM

WHERE: Main Treasury Building
1500 Pennsylvania Avenue
Secretary's Large Conference Room 3311

PO-512

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:00 P.M.
July 30, 2001

Contact: Rob Nichols
(202) 622-2910

SECRETARY OF THE TREASURY, PAUL O'NEILL, MEETS WITH HISPANIC BUSINESS LEADERS TO DISCUSS TRADE PROMOTION AUTHORITY

Secretary of the Treasury Paul O'Neill and Ruben Barrales, Deputy Assistant to the President and Director for Intergovernmental Affairs at the White House, today met with Hispanic Business Leaders from throughout the US to discuss Trade Promotion Authority and emphasize the importance this authority has on formulating any sort of comprehensive free-trade agreements in the future.

"It is important that President Bush has this negotiating tool to show other countries that the US is serious about pursuing free trade agreements," said O'Neill. "The Executive Branch has not had TPA since 1994, and America's competitors have taken advantage in the interim. The rest of the world is moving forward and signing trade deals that exclude the United States."

O'Neill continued, "Expanded trade is essential to America's continued prosperity. American companies lead the world, and will find even greater success as trade barriers are reduced. Trade now represents more than one quarter of our economy. Millions of Americans work in trade related jobs that pay above-average wages and America's growth and prosperity will ultimately depend our access to the global economy."

The Hispanic business leaders come from various industries including high tech, construction, management, investment, and manufacturing companies. Attendees include the following individuals: Mr. Joseph Unanue, CEO, Goya Foods, Inc., Mr. Raul Romero, President/CEO, S&B Infrastructure, Ms. Dorene Dominguez, Vanir Construction, Ms. Sherii Sanchez, President, Acces, Inc.,Ms. Irma Elder, CEO, Elder Automotive, Ms. Teresa McBride, CEO, McBride, Mr. Joseph Samora, Vice-President GR, Case New Holland, Mr. Rudy Mulder, Chairman, Urban Trust Investments, Mr. Al Cardenas, Partner, Tew, Cardenas, Rebak, et. Al, and Mr. Raul Fernandez, CEO, Proxicom.

-30-

PO-513

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* * * URGENT * * *

Secretary Paul O'Neill will make comments for the record at the top of his meeting with Hispanic business leaders this afternoon.

Please note the change in planning for this meeting.

The first ten minutes of the meeting with Hispanic business leaders will be OPEN PRESS.

WHO:	Treasury Secretary Paul O'Neill Hispanic Business Leaders
WHAT:	Roundtable Discussion OPEN PRESS AT THE TOP
WHEN:	Monday, July 30, 2001 2:00 – 2:10 PM
WHERE:	Main Treasury Building 1500 Pennsylvania Avenue Secretary's Large Conference Room

PO-514

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGO HASTA LAS 2:00 P.M.
Julio 30, 2001

Contacto: Noe Garica III
(202) 622-2960

El Secretario del Tesoro, Paul O'Neill, se Reúne con Líderes Hispanos para Discutir la Autoridad para la Promoción del Comercio

"El Poder Ejecutivo no ha tenido autoridad para promover el comercio desde 1994, y nuestros competidores se han aprovechado. Si el Presidente Bush recibe autorización para promover el comercio, entonces podrá negociar tratados de libre comercio y abrir más mercados, creando empleos adicionales y estimulando el crecimiento económico del país. Esto permitirá que la gente de los Estados Unidos y de otros países tenga una mejor calidad de vida para ellos y sus familias".

El Secretario del Tesoro, Paul O'Neill y Ruben Barrales, Asistente del Presidente y Director de Asuntos Intergubernamentales de la Casa Blanca, se reunieron con los líderes de la comunidad Hispana de negocios de todo el país para discutir la Autoridad para la Promoción del Comercio y enfatizar la importancia que tiene esta autoridad para formular acuerdos globales de libre comercio.

"Es importante que el Presidente Bush disponga de esta herramienta de negociación para demostrar a los otros países que los Estados Unidos buscará formalmente concertar acuerdos de libre comercio. El Poder Ejecutivo no ha tenido autoridad para promover el comercio desde 1994, y entre tanto, los competidores de los Estados Unidos han tomado ventaja. El resto del mundo continúa avanzando al firmar acuerdos comerciales que excluyen a los Estados Unidos".

"La gente de los Estados Unidos debería saber que el comercio internacional ahora representa más de una cuarta parte de nuestra economía, y que el comercio internacional creó millones de empleos que pagan salarios superiores al promedio; y que el crecimiento y la prosperidad de América dependerán finalmente de nuestra habilidad para competir en la economía global

Los líderes de los negocios Hispanos provienen de varias industrias, tales como alta :ecnología, construcción, servicios, inversiones, y compañías manufactureras. Los asistentes fueron, entre otros: Mr. Joseph Unanue, CEO, Goya Foods, Inc., Mr. Raul Romero, President/CEO, S&B nfrastructure, Ms. Dorene Dominguez, Vanir Construction, Ms. Sherii Sanchez, President, Acces, nc.,Ms. Irma Elder, CEO, Elder Automotive, Ms. Teresa McBride, CEO, McBride, Mr. Joseph Samora, Vice-President GR, Case New Holland, Mr. Rudy Mulder, Chairman, Urban Trust nvestments, Mr. Al Cardenas, Partner, Tew, Cardenas, Rebak, et. Al, and Mr. Raul Fernandez, CEO, Proxicom. PO-515

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 3:00 P.M.
July 30, 2001

CONTACT: Tony Fratto
(202) 622-2960

TREASURY ANNOUNCES MARKET FINANCING ESTIMATES

The Treasury Department announced today that it expects to borrow $51 billion in marketable debt during the July - September 2001 quarter and to target a cash balance of $55 billion on September 30. This includes a borrowing of $61 billion in marketable Treasury securities and the buyback of an estimated $9 ½ billion in outstanding marketable Treasury securities. In the quarterly announcement on April 30, 2001, Treasury announced that it expected to pay down a total of $57 billion in marketable debt and to target an end-of-quarter cash balance of $60 billion. The change in borrowing reflects a number of factors, most significantly the shift in the September 15 corporate tax due date to October 1 and the need to finance in this quarter the tax rebates.

The Treasury also announced that it expects to pay down $36 billion in marketable debt during the October – December 2001 quarter and to target a cash balance of $30 billion on December 31.

During the April – June 2001 quarter, the Treasury paid down $163 billion in marketable debt, including the buyback of $9 ¼ billion in outstanding marketable securities, and ended with a cash balance of $44 billion on June 30. On April 30, the Treasury announced that it expected to pay down $187 billion in marketable debt and to target an end-of-quarter cash balance of $60 billion. The increase in the borrowing was the result of a shortfall in receipts and lower issues of State and Local Government Series securities.

The Quarterly Refunding Press Conference will be held at 9:00 A.M. on Wednesday, August 1, 2001.

-30-

PO-516

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 11:30 A.M.
July 30, 2001

Contact: Office of Financing
202/691-3550

TREASURY OFFERS 4-WEEK BILLS

The Treasury will auction approximately $10,000 million of 4-week bills to be issued August 2, 2001.

Tenders for bills to be held on the book-entry records of *TreasuryDirect* will not be accepted.

Federal Reserve Banks for their own accounts hold $10,775 million of bills maturing August 2, 2001, which may be refunded at the highest discount rate of accepted competitive tenders. These accounts may be awarded 4-week bills in an amount up to the remaining balance of the $10,775 million not refunded in today's 13- and 26-week bill auctions. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of the auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

Note: Competitive bidders in 4-week bill auctions will be required to report their net long position (NLP), if they meet or exceed the reporting threshold. However, Treasury will not include NLPs in the calculation of award limits for those bidders.

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.

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PO-517
Attachment

HIGHLIGHTS OF TREASURY OFFERING
OF 4-WEEK BILLS TO BE ISSUED AUGUST 2, 2001

July 30, 2001

Offering Amount	$10,000 million
Public Offering	Offering amount less the amount awarded to FIMA accounts

Description of Offering:

Term and type of security	28-day bill
CUSIP number	912795 HL 8
Auction date	July 31, 2001
Issue date	August 2, 2001
Maturity date	August 30, 2001
Original issue date	August 31, 2000
Currently outstanding	$41,511 million
Minimum bid amount and multiples ...	$1,000

Submission of Bids:

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

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

Competitive bids:

(1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 4.215%.
(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 Rate...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.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

Text as Prepared for Delivery
July 31, 2001

Contact: Tony Fratto
(202) 622-2960

ACTING DIRECTOR OF THE OFFICE OF MACROECONOMIC ANALYSIS KAREN HENDERSHOT REMARKS TO THE TREASURY BORROWING ADVISORY COMMITTEE OF THE BOND MARKET ASSOCIATION

At the time of the last meeting of the Committee, the economy was experiencing a clear slowdown. A dichotomy had emerged between the consumer sector, where spending was well-maintained, and the business sector, where investment was faltering. The configuration of activity three months later remains similar but significant additional softening has developed in the business sector. Even so, some signs suggesting a brighter outlook have also become apparent.

Most of the recent summary measures of economic activity have signaled weakness. Among these developments was the release last Friday of the regular annual recalculation of the national income and product accounts. These revisions, reflecting the incorporation of new source data and some improvements in methodology, somewhat recast the features of the so-called "new economy." Real GDP growth during 1998 was revised up a little but growth for 1999 and 2000, measured fourth quarter to fourth quarter, was marked down to 4.4 percent and 2.8 percent, respectively -- both 0.6 percentage point less than previously reported. Most of the reduction reflected a sharp downward revision to business investment. Despite the revisions, the economic record remains impressive. Real GDP growth during the five years from 1995 through 2000 was reduced only marginally from 4.3 percent to 4.1 percent– a still commendable performance for the late stages of an expansion.

But the downshift in activity since the middle of last year has been dramatic. Real GDP growth has slowed to just over 1 percent during the year ended in the second quarter, from more than 5 percent during the same year-earlier period. The advance estimate for the second quarter indicates real growth at an annual rate of only 0.7 percent, down from 1.3 percent in the first quarter and the weakest in more than eight years.

The composition of growth in the second quarter also deteriorated relative to the first. In the first quarter, a steep negative swing in inventory investment deducted 2.6 percentage points from the real GDP gain but final sales of domestic product (GDP excluding inventories – a measure of underlying demand) soared at a 4.0 percent annual rate.

PO-518

In the second quarter, by contrast, inventories were relatively neutral but real final sales edged up at only a 0.7 percent pace. Private final demand slipped even further, with no growth at all in the second quarter.

While all elements of private final demand softened somewhat in the second quarter, the critical household sector held up reasonably well. Consumer spending (two-thirds of GDP) grew moderately, at just above a 2 percent annual rate. Residential investment remained quite strong, and has maintained a healthy 8 percent pace of growth so far this year. Foreign trade is estimated to have been a mildly negative factor in the second quarter but the most precipitous downshift was in capital spending. Business fixed investment plunged at a 13.6 percent annual rate, paring almost 2 percentage points from real GDP growth and leaving a high backlog of capital goods inventories. This contrasts with the previous five years, during which investment contributed an average of 1-1/4 percentage point to real GDP growth annually. Investment had not fallen so much in one quarter since 1982.

The withering of capital investment reflects a combination of developments. Excess capacity, resulting in some cases from overinvestment but in others from the current weakened demand, was one factor. In addition, a widespread profit squeeze caused not only investment plans to be slashed but also private payrolls to be cut by 350,000 workers during the second quarter.

The above summary, describing a somewhat more fragile economy than might be desired, reflects past developments. While the risk remains that additional layoffs could eventually impede what now appears to be moderate growth in the household sector, more forward-looking indicators provide some basis for optimism.

- Consumer confidence and the composite index of the National Association of Purchasing Management have risen slightly over the past few months and at a minimum appear to have stabilized. These were the measures of economic activity that last winter provided the earliest warning of a stark reduction in demand growth.

- Initial claims for state unemployment insurance benefits have plunged by 70,000 from their June highs. Some portion of the decline may be attributable to difficulties in seasonal adjustment around the July auto industry shutdown, but claims at least seem to have halted their climb.

- Although manufacturing and to a lesser degree wholesale trade still have a significant inventory overhang, the inventory adjustment at the retail level appears to be virtually complete.

- Finally, the index of leading indicators has now risen three months in a row through June – the strongest performance in a year and a half.

At a time when the economy already appears poised to regain its footing, several important factors are aligned to support it going forward.

- The $38 billion in tax rebate checks now being sent out, combined with tax rate reductions, could lift consumers' real after-tax income by close to 9 percent at an annual rate in the third quarter. Although considerable uncertainty surrounds the impact on consumer spending behavior of this injection of income, our estimates suggest that real GDP growth during the second half of the year could be raised by more than 1 percentage point at an annual rate.

- The 275 basis points of monetary stimulus administered in the first half of this year was heavily front-loaded, with more than half that reduction achieved by late March. Its impact should soon become apparent, boosting demand as well as easing interest cost pressures on corporations.

- Lower energy prices will also be a positive factor, both for households and business. While OPEC's efforts to sustain petroleum prices have dominated recent news, the 20 percent drop in the price of crude oil and the near 60 percent fall in natural gas prices since last winter represent huge reductions that are unlikely to be reversed significantly in the near term.

- In addition, the Employment Cost Index indicates that wage pressures are also easing. Private compensation costs have receded from annual growth of 4.6 percent a year ago to 4.0 percent during the latest four quarters – another factor favoring the rebuilding of corporate profit margins.

Overall, while we cannot dismiss uncertainties about the progression of recovery in the business sector, it seems plausible that the worst of the slowdown may be behind us. The July Blue Chip private consensus forecast estimates real growth of 3 percent in the fourth quarter. At this point, there is little reason to believe that forecast would be far off the mark.

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

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
July 30, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	August 02, 2001
Maturity Date:	November 01, 2001
CUSIP Number:	912795HU8

High Rate: 3.480% Investment Rate 1/: 3.561% Price: 99.120

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 51.42%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 32,192,215	$ 13,194,531
Noncompetitive	1,515,760	1,515,760
FIMA (noncompetitive)	290,000	290,000
SUBTOTAL	33,997,975	15,000,291 2/
Federal Reserve	3,396,647	3,396,647
TOTAL	$ 37,394,622	$ 18,396,938

Median rate 3.460%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.430%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 33,997,975 / 15,000,291 = 2.27

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,238,570,000

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
July 30, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	August 02, 2001
Maturity Date:	January 31, 2002
CUSIP Number:	912795JE2

High Rate: 3.380% Investment Rate 1/: 3.487% Price: 98.291

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 53.28%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 29,971,367	$ 12,238,791
Noncompetitive	1,631,241	1,631,241
FIMA (noncompetitive)	130,000	130,000
SUBTOTAL	31,732,608	14,000,032 2/
Federal Reserve	4,688,923	4,688,923
TOTAL	$ 36,421,531	$ 18,688,955

Median rate 3.360%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.320%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 31,732,608 / 14,000,032 = 2.27

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,315,079,000

http://www.publicdebt.treas.gov

PO-520

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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**Embargoed Until 10:00 a.m.
July 31, 2001**

**Contact: Tony Fratto
(202) 622-2960**

STATEMENT OF ROBERT C. BONNER
NOMINEE FOR COMMISSIONER OF THE U.S. CUSTOMS SERVICE
BEFORE THE COMMITTEE ON FINANCE
UNITED STATES SENATE

Chairman Baucus, Senator Grassley, and members of the Committee, I am delighted to appear before you today to discuss my nomination to be the Commissioner of the United States Customs Service.

Before I begin my statement, I would like to acknowledge and introduce my wife, Kimiko. Without her love and her unwavering support and assistance throughout my career, I can assure you that I would not be here today. I also am delighted that my daughter, Justine Bonner, the light of my life, could be here today. Justine is doing important public service in her own right. She is a schoolteacher, teaching American History to eighth graders in New York City at an alternative school in lower Manhattan.

I want to express my appreciation to President Bush for nominating me to head the United States Customs Service. I also want to thank Secretary O'Neill for his support and confidence in me. I look forward to working with the outstanding team he has assembled at the Treasury Department, including the Deputy Secretary-Designate Ken Dam and the Under Secretary for Enforcement-Designate Jimmy Gurulé.

I come before you today as someone who has spent one-half of my 35-year professional career in public service, and one-half in the private sector – in the private practice of the law. I have had the good fortune to serve our government in a number of important posts, including over five years as the United States Attorney for the Central District of California, managing and heading the second largest U.S. Attorney's Office in the country. For nearly three and one-half years, I was the Administrator of the Drug Enforcement Administration (DEA). In between these two positions, I served as a United States District Judge in Los Angeles. My experience managing the DEA and the United States Attorney's Office has provided me with experience that will be of considerable benefit to me in leading Customs.

I am enthused about the prospect of heading the U.S. Customs Service, an agency with a mission of great importance to our nation, its people, and its commerce. During my career, I have worked side-by-side with the Customs Service, both as a federal prosecutor and as the DEA Administrator. The dedication and commitment of the men and women of the U.S. Customs Service have consistently impressed me. Indeed, the United States Customs Service is, and should be, an international leader in terms of professionalism, personnel and technology.

PO-521

In my view, the next Commissioner of Customs must emphasize both the trade and the enforcement sides of the Customs Service, and this means striking the right balance between these two important missions of Customs. Effective enforcement of our drug, trade, and anti-smuggling laws and protection of our borders are, of course, a fundamental obligation of Customs – and, indeed, they are a core governmental responsibility of the federal government. This responsibility must not overshadow Customs' important role in facilitating trade and working with the trade industry to make Customs more efficient.

I believe an appropriate balance can be achieved through better identification of risks and better allocation of resources to meet those risks. Automated Commercial Environment (ACE) and reforms of the ways that Customs does business will also be important to achieving this balance. One of my highest priorities as Commissioner will be the successful and timely design, implementation and funding of ACE. Other priorities will be to meet the explosive growth in international trade as well as the law enforcement challenges of drug trafficking, money laundering, international terrorism, counterfeit goods, cybercrime and protection of our borders.

I am excited about the opportunity to return to public service as the head of United States Customs Service, and, if confirmed, I look forward to working closely with the members of this Committee and Congress to meet the challenges facing Customs.

Thank you. I would be happy to answer any questions you might have.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Embargoed Until 10:00 a.m.
July 31, 2001

Contact: Tony Fratto
(202) 622-2960

STATEMENT OF ROSARIO MARIN
NOMINEE FOR UNITED STATES TREASURER
BEFORE THE COMMITTEE ON FINANCE
UNITED STATES SENATE

Thank you. Chairman Baucus, Ranking Member Grassley, and Members of the Committee on Finance, I am honored to appear before you today.

President Bush has bestowed upon me a great honor by nominating me to serve as Treasurer of the United States. If confirmed, I look forward to working closely with this Committee, the Senate, and with members of the House of Representatives on issues related to the Office of the Treasurer.

I would like to express my great appreciation for this fine nation, where one of its immigrants can be considered for such a distinguished post as United States Treasurer.

Before proceeding any further, I would like to take this opportunity to thank my family. God blessed me with a wonderful set of parents, Mariano and Carmen Spindola, whose work ethic and faith have been the foundation of my life. My brothers Fernando, Mariano and Daniel, and my sisters Margarita and Nancy all of whom have always been supportive. The love of my life Alex, a husband second to none who is with me here today; and three beautiful children Eric, Carmen and Alex, who by the wisdom of God, have filled my life with joy and inspiration.

I ask the committee to indulge me in a very personal and very emotional effort to try to express my deep personal gratitude to this remarkably generous country.

When I came from Mexico at age 14, I did not speak English. I was frightened. After finishing high school, I had to work to help my family. I went to college at night and seven years later; I graduated from California State University in Los Angeles. I worked for two banking institutions for a total of seven years. I was going to be named Assistant Vice President for City National Bank, when, suddenly my life changed. I gave birth to my son Eric, now a handsome young man with Down Syndrome. Accepting that my financial career was on hold at that time, I dedicated my life to my new found treasure, people with disabilities and their families.

If confirmed, I look forward to returning to issues relating to our nation's money and, more specifically, having oversight of its production and safekeeping.

PO-522

Mr. Chairman and members of the committee, I am deeply honored to be considered for the privilege to serve our country in this capacity. I would like to thank President Bush and Secretary O'Neill for the confidence they have shown in me, and I will work to earn your confidence. I am of the belief that "Of him to whom much is given, much is expected". America has given me so much. I promise to work diligently with this committee on all matters that you may wish to raise with the Office of the Treasurer. I hope that this will be the beginning of a fine working relationship.

Thank you for your time, I would be pleased to answer any questions.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBAROGED UNTIL 2:00 P.M.
July 31, 2001

Contact: Tony Fratto
(202) 622-2960

STATEMENT OF CAROLE L. BROOKINS
NOMINEE FOR UNITED STATES EXECUTIVE DIRECTOR OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
BEFORE THE COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

Mr. Chairman and Members of the Committee, I am grateful for this opportunity to appear before you today.

I would like to first thank President Bush for the honor of my nomination as U.S. Executive Director to the International Bank for Reconstruction and Development. In his speech at the World Bank on July 17, President Bush said "*our...goal must be to work in true partnership with developing countries to remove the huge obstacles to development.*" I share the President's commitment and understand the important role of the World Bank in supporting this goal of raising living standards for nations and individuals.

If confirmed, it will be a great privilege to represent the United States on the World Bank's Board. I especially welcome the opportunity to work with Secretary O'Neill and the Treasury Department to improve the World Bank's effectiveness and impact. America's prosperity is tied to the growth and prosperity of the developing world.

My professional life has focused directly and indirectly on the factors affecting the performance of developing countries. My career began as a municipal bond underwriter, financing critical infrastructure that supports our national economy at the local and state levels. I moved to the commodity field in 1972, and have analyzed commodity policies, markets and trade since that time, particularly the area of agriculture. As you well know, agricultural productivity is a foundation of economic development. Today, nearly 75% of the poorest families in developing countries live in rural areas; the income gap between urban and rural people is widening, not shrinking.

PO-523

Since starting my own business in 1980, I have learned many lessons about what it takes for an individual in the private sector to produce income and keep a business running. I have had enormously meaningful travel to every continent, to experience the way different cultures and economies function and trade, and to interact frequently with both private and public sector officials on issues that affect growth.

The United States holds a unique place of leadership in The World Bank, as its largest shareholder. If confirmed, I will look forward to building a strong working relationship with this Committee and the leadership you bring in support of the Bank's mission. I sincerely hope to commit my fullest energy and experience toward our shared objective of reducing poverty and improving living standards in the developing world.

Thank you, Mr. Chairman. I'd be happy to answer any questions.

-30-

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 2:00 P.M.
July 31, 2001

Contact: Tony Fratto
(202) 622-2960

STATEMENT OF RANDAL K. QUARLES NOMINEE FOR UNITED STATES EXECUTIVE DIRECTOR OF THE INTERNATIONAL MONETARY FUND BEFORE THE COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE

Thank you, Mr. Chairman and members of the Committee, for the opportunity to appear before you today. I am honored that President Bush has nominated me to serve as the U.S. Executive Director of the International Monetary Fund, and I am grateful to have the privilege of your consideration. With the Committee's indulgence, I would like to introduce the members of my family that are here.

The International Monetary Fund exists to promote international macroeconomic stability, to foster economic growth, to detect critical problems in the international financial system, and, in appropriate cases, to help deal with those problems as soon as they are detected. The role of the U.S. Executive Director is to use the voice and vote of the United States on the Fund's executive board to help shape the Fund's pursuit of those objectives in a manner consistent with U.S. interests.

If confirmed, I would bring to this role a variety of experiences in both government and the private sector. Though raised in Utah, and a passionate westerner, I have for nearly seventeen years been a practicing Wall Street lawyer, focusing on international banking and financial matters. I have been privileged, particularly during the last decade, to help some of the world's premier financial institutions think through their approach to an increasingly integrated financial system and to take practical steps to prepare for that integration. I was also privileged to serve in the Treasury Department from 1991 to 1993, working with the team that helped propose a modern statutory framework for this ongoing financial integration - - work that we like to think contributed to the financial modernization legislation enacted into law a little over a year ago.

If confirmed, I would hope to approach my role with the benefit of all these experiences: the practical wisdom of a good counselor, the policy experience of an enthusiastic public servant and, not least, the common sense I have always found native in those born west of the 100th meridian and raised in the shadow of the Wasatch Mountains.

PO-524

Thank you again Mr. Chairman for the privilege of appearing before this Committee. I would be pleased to answer any questions you and the other members of the Committee may have.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

U.S. International Reserve Position 7/31/01

The Treasury Department today released U.S. reserve assets data for the week ending July 27, 2001. As indicated in this table, U.S. reserve assets totaled $66,191 million as of July 27, 2001, up from $66,175 million as of July 20, 2001.

(in US millions)

I. Official U.S. Reserve Assets	July 20, 2001			July 27, 2001		
TOTAL	66,175			66,191		
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	5,252	10,728	15,979	5,282	10,690	15,972
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	8,874	4,645	13,519	8,918	4,628	13,546
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			15,101			*15,099*
3. Special Drawing Rights (SDRs) [2]			10,532			*10,530*
4. Gold Stock [3]			11,044			11,044
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for July 20 are final. The entries in the table above for July 27 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of June 30, 2001. The May 31, 2001 value was $11,044 million.

PO-525

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets

	July 20, 2001	July 27, 2001
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets

	July 20, 2001	July 27, 2001
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

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
July 31, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 4-WEEK BILLS

Term:	28-Day Bill
Issue Date:	August 02, 2001
Maturity Date:	August 30, 2001
CUSIP Number:	912795HL8

High Rate: 3.590% Investment Rate 1/: 3.647% Price: 99.721

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 80.51%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 33,720,000	$ 9,982,450
Noncompetitive	17,603	17,603
SUBTOTAL	33,737,603	10,000,053
Federal Reserve	2,689,542	2,689,542
TOTAL	$ 36,427,145	$ 12,689,595

Median rate 3.575%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.550%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 33,737,603 / 10,000,053 = 3.37
NO FIMA NONCOMPETIVE BIDS WERE TENDERED IN TODAY'S AUCTION.

1/ Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

PO-526

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

Text as Prepared for Delivery
August 1, 2001

Contact: Tony Fratto
(202) 622-2960

ASSISTANT SECRETARY FOR FINANCIAL MARKETS BRIAN ROSEBORO REMARKS AT THE AUGUST 2001 TREASURY QUARTERLY REFUNDING

Good morning. I am pleased to be with you today to discuss the government's refunding needs for the current quarter. In addition, I will be making a few announcements with respect to other aspects of Treasury's debt management.

4-Week Bill

Yesterday, Treasury conducted its first auction of 4-week bills. We are pleased with the results of the first auction, which raised $10 billion, and we believe that these securities will become an important part of Treasury's ongoing debt management strategy. Regular weekly offerings of 4-week bills will help to smooth seasonal fluctuations in Treasury's cash balances and reduce reliance on cash management bills.

Federal Register Notice on Net Long Position and the 35 Percent Rule

On July 23, the Treasury announced the publication in the *Federal Register* of an Advance Notice of Proposed Rulemaking that solicits public comments on potential modifications to the calculation of the net long position (NLP) and the 35 percent award limit in marketable Treasury securities auctions. Treasury invites comments on alternatives to NLP reporting and the 35 percent award limit. Of particular interest are comments on an alternative which would permit bidders in re-openings to exclude a portion of their current holdings of the security being auctioned from their NLP calculation. We look forward to receiving comments from market participants on this issue.

Debt Buybacks

Since our last quarterly refunding announcement in May, we have successfully completed our buyback operations for the April-June quarter, purchasing $10 billion par amount of securities. We continue to be pleased with the results of our buyback operations.

In May we announced that we expect to conduct buybacks in the current July-September quarter of approximately $10 billion par amount. We now expect to decrease slightly the amount of buybacks this quarter to approximately $9 billion.

PO-527

Additionally, today we are announcing that we expect to conduct buybacks of approximately $9 billion par amount of securities in the upcoming October-December quarter.

Terms of the August Refunding

I will now turn to the terms of the August Refunding. We are offering $27 billion of notes and bonds to refund approximately $12 billion of privately held notes and bonds maturing on August 15, raising approximately $15 billion. The securities are:

1. A re-opening of the 4 5/8% 5-year note issued in May 2001, maturing May 15, 2006 in the amount of $11 billion.

2. A 10-year note in the amount of $11 billion, maturing August 15, 2011.

3. A re-opening of the 5 3/8% 30-year bond issued in February 2001, maturing February 15, 2031, in the amount of $5 billion.

These securities will be auctioned on a yield basis at 1:00 pm eastern time on Tuesday, August 7, Wednesday, August 8, and Thursday, August 9, respectively.

As announced on Monday, we estimate that we will have a $55 billion cash balance on September 30 and a $30 billion cash balance on December 31.

In keeping with Treasury's traditional practice, we will continue to announce any changes to our debt management policy at our quarterly refunding press conferences. Our next quarterly refunding announcement will take place on Wednesday, October 31.

-30-

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
August 1, 2001

CONTACT: Office of Financing
202/691-3550

TREASURY AUGUST QUARTERLY FINANCING

The Treasury will auction $11,000 million of 4-3/4-year 4-5/8% notes, $11,000 million of 10-year notes, and $5,000 million of 29-1/2-year 5-3/8% bonds to refund $11,885 million of publicly held securities maturing August 15, 2001, and to raise about $15,115 million of new cash.

In addition to the public holdings, Federal Reserve Banks hold $2,207 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of each auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $37 million into the 4-3/4-year note, $11 million into the 10-year note, and $1 million into the 29-1/2-year bond.

All 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 allocation percentage applied to bids awarded at the highest yield will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

NOTE: The net long position reporting threshold amount for *only* the 29-1/2-year bond is $1 billion.

All of the securities being offered today are eligible for the STRIPS program.

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 and bond are given in the attached offering highlights.

PO-528

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Attachment

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC
AUGUST 2001 QUARTERLY FINANCING

August 1, 2001

Offering Amount	$11,000 million	$11,000 million	$5,000 million
Public Offering	Offering amount less the amount awarded to FIMA accounts		
Description of Offering:			
Term and type of security	4-3/4-year notes (reopening)	10-year notes	29-1/2-year bonds (reopening)
Series	E-2006	C-2011	Bonds of February 2031
CUSIP number	912827 6X 5	912827 7B 2	912810 FP 8
Auction date	August 7, 2001	August 8, 2001	August 9, 2001
Issue date	August 15, 2001	August 15, 2001	August 15, 2001
Dated date	May 15, 2001	August 15, 2001	February 15, 2001
Maturity date	May 15, 2006	August 15, 2011	February 15, 2031
Interest rate	4-5/8%	Determined based on the highest accepted competitive bid	5-3/8%
Amount currently outstanding	$16,181 million	Not applicable	$10,887 million
Yield	Determined at auction	Determined at auction	Determined at auction
Interest payment dates	November 15 and May 15	February 15 and August 15	February 15 and August 15
Minimum bid amount and multiples	$1,000	$1,000	$1,000
Accrued interest payable by investor	$11.56250 per $1,000 (from May 15 to August 15, 2001)	None	None
Premium or discount	Determined at auction	Determined at auction	Determined at auction
STRIPS Information:			
Minimum amount required	$1,000	$1,000	$1,000
Corpus CUSIP number	912820 GG 6	912820 GL 5	912803 CK 7
Due date(s) and CUSIP number(s) for additional TINT(s)	Not applicable	Not applicable	Not applicable

The following rules apply to all securities mentioned above:

Submission of Bids:

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

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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 for each of the notes and $1 billion or greater for the bond.

(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

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

For Immediate Release
August 2, 2001

Contact: Tara Bradshaw
(202) 622-2014

WEEK THREE: TREASURY TO MAIL OUT 8.185 MILLION CHECKS ON FRIDAY

Tomorrow the Treasury Department will send out 8.185 million advance payment checks to taxpayers for more than $3.468 billion in tax relief. These checks will be sent to taxpayers whose last two digits of their Social Security numbers are 20-29.

Week Three (August 3) Social Security Numbers 20-29
Number of Checks 8.185 million
Amount of Relief $3.468 billion

Week Two (July 27) Social Security Numbers 10-19
Number of Checks 8.133 million
Amount of Relief $3.443 billion

Week One (July 20) Social Security Numbers 00-09
Number of Checks 7.908 million
Amount of Relief $3.336 billion

Three Week Total
Number of Checks 24.226 million
Amount of Relief $10.247 billion

The Treasury Department will announce every week the number of checks that are being mailed out for that week, and the amount of tax relief that is being sent to taxpayers. Checks will be mailed over a ten-week period, according to the last two digits of the taxpayers Social Security number. Notices from the Internal Revenue Service will inform taxpayers the amount of their check and when they should expect it have been mailed. Single taxpayers will get a check up to $300, head of household up to $500 and married couples filing jointly will get up to $600.

Because the Social Security number determines when checks are mailed, taxpayers may receive their checks at different times than their neighbors or other family members. On a joint return, the first number listed will set the mailout time.

PO-530

If the last two digits of your <u>Social Security number are</u>:	**You should receive your check <u>the week of</u>:**
00 - 09	July 23
10 - 19	July 30
20 - 29	August 6
30 - 39	August 13
40 - 49	August 20
50 - 59	August 27
60 - 69	September 3
70 - 79	September 10
80 - 89	September 17
90 - 99	September 24

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For Immediate Release
August 2, 2001

Contact: Tara Bradshaw
(202) 622-2960

TREASURY MODIFIES CORPORATE TAX SHELTER DISCLOSURE AND REGISTRATION REGULATIONS

The Treasury Department and the Internal Revenue Service today issued modifications to the corporate tax shelter disclosure and registration regulations. The regulations requiring corporate taxpayers to disclose certain transactions on their tax returns have been modified to focus better on transactions meriting IRS review. In particular, the modifications eliminate a characteristic that triggers reporting of many legitimate business transactions and clarify two exceptions to the reporting requirements.

"The modifications to the temporary regulations will make the disclosure and registration rules more effective in identifying tax shelters and help taxpayers and practitioners to better understand and comply with the rules. This will allow the IRS to devote more time, effort and energy in identifying and pursuing abusive transactions," stated Mark Weinberger, Assistant Secretary of the Treasury (Tax Policy).

In addition, modifications have been made to the rules requiring promoters to register confidential corporate tax shelters to ensure that registration occurs where promoters restrict customers from disclosing written materials provided to them by the promoter.

"This change will make certain that there is more sunshine on questionable transactions," Weinberger stated.

The changes are interim modifications in anticipation of the first significant filing of disclosures by corporate taxpayers in September. Treasury continues to study comments on the regulations and evaluate the operation of the regulations. Further changes may be made in the future.

-30-

PO-531

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
August 2, 2001

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 $29,000 million to refund $19,860 million of publicly held bills maturing August 9, 2001, and to raise about $9,140 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $10,693 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders in these auctions or the 4-week bill auction to be held next week. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of each auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers have requested that we reinvest their maturing holdings of approximately $1,062 million into the 13-week bill and $821 million into the 26-week bill.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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

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HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED AUGUST 9, 2001

August 2, 2001

Offering Amount	$15,000 million	$14,000 million
Public Offering	Offering amount less the amount awarded to FIMA accounts	
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 GT 2	912795 JF 9
Auction date	August 6, 2001	August 6, 2001
Issue date	August 9, 2001	August 9, 2001
Maturity date	November 8, 2001	February 7, 2002
Original issue date	May 10, 2001	August 9, 2001
Currently outstanding	$13,850 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 million at the highest discount rate of accepted competitive bids.

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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 Rate ....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 11:30 A.M.
August 6, 2001

Contact: Office of Financing
202/691-3550

TREASURY OFFERS 4-WEEK BILLS

The Treasury will auction approximately $10,000 million of 4-week bills to be issued August 9, 2001.

Tenders for bills to be held on the book-entry records of *TreasuryDirect* will not be accepted.

Federal Reserve Banks for their own accounts hold $10,693 million of bills maturing August 9, 2001, which may be refunded at the highest discount rate of accepted competitive tenders. These accounts may be awarded 4-week bills in an amount up to the remaining balance of the $10,693 million not refunded in today's 13- and 26-week bill auctions. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of the auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

Note: Competitive bidders in 4-week bill auctions will be required to report their net long position (NLP), if they meet or exceed the reporting threshold. However, Treasury will not include NLPs in the calculation of award limits for those bidders.

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.

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PO-533

Attachment

HIGHLIGHTS OF TREASURY OFFERING
OF 4-WEEK BILLS TO BE ISSUED AUGUST 9, 2001

August 6, 2001

Offering Amount	$10,000 million
Public Offering	Offering amount less the amount awarded to FIMA accounts

Description of Offering:

Term and type of security	28-day bill
CUSIP number	912795 HN 4
Auction date	August 7, 2001
Issue date	August 9, 2001
Maturity date	September 6, 2001
Original issue date	March 8, 2001
Currently outstanding	$33,537 million
Minimum bid amount and multiples ...	$1,000

Submission of Bids:

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

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

Competitive bids:

(1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 4.215%.
(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 Rate...35% of public offering
Maximum Award...........................35% of public offering

Receipt of Tenders:

Concompetitive 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.

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
August 06, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	August 09, 2001
Maturity Date:	November 08, 2001
CUSIP Number:	912795GT2

High Rate: 3.430% Investment Rate 1/: 3.508% Price: 99.133

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 99.06%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 29,579,004	$ 13,258,364
Noncompetitive	1,431,777	1,431,777
FIMA (noncompetitive)	310,000	310,000
SUBTOTAL	31,320,781	15,000,141 2/
Federal Reserve	4,650,423	4,650,423
TOTAL	$ 35,971,204	$ 19,650,564

Median rate 3.420%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.400%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 31,320,781 / 15,000,141 = 2.09

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,165,809,000

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 06, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	August 09, 2001
Maturity Date:	February 07, 2002
CUSIP Number:	912795JF9

High Rate: 3.350% Investment Rate 1/: 3.456% Price: 98.306

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 98.02%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 28,092,380	$ 12,736,004
Noncompetitive	1,164,351	1,164,351
FIMA (noncompetitive)	100,000	100,000
SUBTOTAL	29,356,731	14,000,355 2/
Federal Reserve	5,538,782	5,538,782
TOTAL	$ 34,895,513	$ 19,539,137

Median rate 3.340%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.310%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 29,356,731 / 14,000,355 = 2.10

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $887,138,000

http://www.publicdebt.treas.gov

PO-535

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

U.S. International Reserve Position 8/7/01

The Treasury Department today released U.S. reserve assets data for the week ending August 3, 2001. As indicated in this table, U.S. reserve assets totaled $66,276 million as of August 3, 2001, up from $66,087 million as of July 27, 2001.

(in US millions)

I. Official U.S. Reserve Assets	July 27, 2001			August 3, 2001		
TOTAL		66,087			66,276	
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	5,282	10,690	15,972	5,344	10,675	16,019
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	8,918	4,628	13,546	9,022	4,622	13,643
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			14,995			*15,021*
3. Special Drawing Rights (SDRs) [2]			10,530			*10,549*
4. Gold Stock [3]			11,044			11,044
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for July 27 are final. The entries in the table above for August 3 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of June 30, 2001. The May 31, 2001 value was $11,044 million.

PO-536

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	July 27, 2001	August 3, 2001
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	July 27, 2001	August 3, 2001
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

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
August 07, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 4-WEEK BILLS

Term:	28-Day Bill
Issue Date:	August 09, 2001
Maturity Date:	September 06, 2001
CUSIP Number:	912795HN4

High Rate: 3.560% Investment Rate 1/: 3.621% Price: 99.723

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 45.68%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 28,631,760	$ 9,988,233
Noncompetitive	11,994	11,994
SUBTOTAL	28,643,754	10,000,227
Federal Reserve	503,423	503,423
TOTAL	$ 29,147,177	$ 10,503,650

Median rate 3.550%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.520%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

BID-TO-COVER RATIO = 28,643,754 / 10,000,227 = 2.86
NO FIMA NONCOMPETITIVE BIDS WERE TENDERED IN TODAY'S AUCTION.

1/ Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

0-537

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 07, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 4-3/4-YEAR NOTES

This issue is a reopening of a note originally issued May 15, 2001.

Interest Rate:	4 5/8%	Issue Date:	August 15, 2001
Series:	E-2006	Dated Date:	May 15, 2001
CUSIP No:	9128276X5	Maturity Date:	May 15, 2006

High Yield: 4.670% Price: 99.797

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 95.66%. All tenders at lower yields were accepted in full.

Accrued interest of $ 11.56250 per $1,000 must be paid for the period from May 15, 2001 to August 15, 2001.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 23,447,810	$ 10,821,901
Noncompetitive	178,177	178,177
SUBTOTAL	23,625,987	11,000,078 1/
Federal Reserve	623,432	623,432
TOTAL	$ 24,249,419	$ 11,623,510

Median yield 4.651%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 4.600%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

BID-TO-COVER RATIO = 23,625,987 / 11,000,078 = 2.15

NO FIMA NONCOMPETITIVE BIDS WERE TENDERED IN TODAY'S AUCTION. THE STRIPS MINIMUM IS $1,000.

1/ Awards to TREASURY DIRECT = $104,814,000

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
August 7, 2001

Contact: Tasia Scolinos
(202) 622-2960

JIMMY GURULE SWORN IN AS TREASURY UNDER SECRETARY FOR ENFORCEMENT

Treasury Secretary Paul O'Neill swore Jimmy Gurulé in this afternoon as Treasury Under Secretary for Enforcement. The U.S. Senate voted unanimously to confirm Mr. Gurulé on Friday, August 3rd.

As Under Secretary for Enforcement, Mr. Gurulé will provide oversight, policy guidance and support to the Treasury law enforcement components – the Bureau of Alcohol, Tobacco and Firearms; the U.S. Customs Service; the Executive Office of Asset Forfeiture; the Federal Law Enforcement Training Center; the Financial Crimes Enforcement Network; the Office of Foreign Assets Control; and the U.S. Secret Service.

A member of the Utah Bar since 1980, Mr. Gurulé brings a wealth of law enforcement experience to the Treasury Department. Mr. Gurulé began his career as a trial attorney with the Department of Justice in Washington D.C. He has subsequently held the following positions: Deputy County Attorney in the Salt Lake City Attorney's Office; Assistant U.S. Attorney and Deputy Chief of the Major Narcotics Section of the Los Angeles branch of the U.S. Attorney's Office; and Assistant Attorney General with the Department of Justice's Office of Justice Programs in Washington D.C. Prior to joining the Treasury Department, Mr. Gurulé taught criminal law and complex criminal litigation at Notre Dame Law School.

Mr. Gurulé was recognized for his contribution to law enforcement when he received the Attorney General's Distinguished Service Award and the Drug Enforcement Administration's highest award, the Administrator's Award. The Department of Justice honored him in 1991 with the prestigious Edmund J. Randolph Award, and again in 1992 with the Award for Excellence in Management. In addition, Mr. Gurulé is a prominent member of the Hispanic Legal Community.

Mr. Gurulé graduated from the University of Utah in 1974 and received his law degree from the University of Utah College of Law in 1980. He and his wife Julia have three children.

PO-539

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
August 7, 2001

Contact: Rob Nichols
(202) 622-2960

KENNETH W. DAM SWORN IN AS DEPUTY SECRETARY OF THE TREASURY

Secretary Paul O'Neill swore **Kenneth Dam** in this afternoon as Deputy Secretary of the Treasury. The Senate voted by unanimous consent to confirm Dam on August 3, 2001.

As Deputy Secretary of the Treasury, Dam advises and assists the Secretary in the supervision and direction of the Department and its activities, and succeeds the Secretary in his absence, sickness, or unavailability. The Deputy Secretary plays a primary role in the formulation and execution of Treasury policies and programs in all aspects of the Department's activities.

Mr. Dam has been the Max Pam Professor of American and Foreign Law at the University of Chicago Law School, a position from which he is now on leave of absence.

His prior government positions include Deputy Secretary of State (1982-85), Executive Director of the White House Council on Economic Policy (1973), and Program Assistant Director for national security and international affairs at the Office of Management and Budget (1971-73). He has also served over the years as a consultant and an advisor to a number of U.S. government agencies.

After graduating from the University of Chicago Law School in 1957, Mr. Dam served as a law clerk to U.S. Supreme Court Justice Charles Whittaker (1957-58), an associate with Cravath, Swaine & Moore in New York (1958-60), and a law professor at the University of Chicago when not in government from 1960 to 1980. In 1980 he became Provost of the University of Chicago, where he served until being appointed by President Reagan as Deputy Secretary of State in 1982.

Upon leaving the State Department in 1985, he became a corporate vice president for law and external relations of IBM, a position he held until 1992. In 1992, he served on an interim basis as president and chief executive officer of the United Way of America in order to lead an investigation of a highly publicized scandal in the leadership of that organization and to reorganize its staff and governance. Thereafter, he rejoined the University of Chicago Law School faculty, where in recent years he has taught courses on international finance, international economic policy, and patent law.

PO-540

Mr. Dam is a well-known arbitrator in complex litigation. From 1996 to 2001 he served as System Arbitrator under the collective bargaining agreement between the National Basketball Association and the National Basketball Players Association.

He has served on the board of a number of public policy institutions, including the Council on Foreign Relations (New York), the Chicago Council on Foreign Relations, and the Brookings Institution. He was co-chairman of the Aspen Strategy Group from 1991 to 2001 and was, during 1999 and 2000, chairman of the German-American Academic Council. He served from 1987 to 2001 as a member of the board of Alcoa.

Among his many publications are the following books: Economic Policy Beyond the Headlines (with George P. Shultz) (2d ed. 1998); The Rules of the Game: Reform and Evolution in the International Monetary System (1982); Oil Resources: Who Gets What How? (1976); and The GATT: Law and International Economic Organization (1970).

He was born in 1932 in Marysville, Kansas, and grew up on a farm. His undergraduate education was at the University of Kansas. He resides in Chicago with his wife Marcia, and they have two adult children, Eliot and Charlotte.

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
August 7, 2001

Contact: Rob Nichols
(202) 622-2960

MICHELE DAVIS SWORN IN AS ASSISTANT SECRETARY FOR PUBLIC AFFAIRS

Treasury Secretary Paul O'Neill swore Michele Davis in today as Assistant Secretary for Public Affairs. The U. S. Senate voted by unanimous consent to confirm Davis on August 3, 2001.

As Assistant Secretary for Public Affairs, Davis is the lead representative of the Treasury Department for media, business, professional trade organizations, consumer groups, and the public. The Office of Public Affairs develops and implements communications strategy for the Department and advises officials within the Department and its bureaus how best to communicate issues and priorities of public interest. Davis also oversees the Office of Public Liaison and the Office of Public Education.

Ms. Davis was Communications Director to House Majority Leader Dick Armey (R-TX) from 1997 until January 2001. Davis served as chief spokesman for the Majority Leader's office and as an advisor to the House Republican leadership. Davis began work in the Majority Leader's Office in 1995.

Before joining the Majority Leader's staff, Davis served as an Economist with the Minority Staff of the Joint Economic Committee in Congress and prior to that Davis worked as an Economist with Citizens for a Sound Economy (CSE), a free-market advocacy organization.

Originally from Louisville, Kentucky, Davis has a Master's degree in economics from the American University and earned her Bachelor of Science in Foreign Service from Georgetown University in 1988.

-30-

PO-541

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
August 7, 2001

Contact: Betsy Holahan
(202) 622-2960

HENRIETTA HOLSMAN FORE SWORN IN AS DIRECTOR OF U.S. MINT

Henrietta Holsman Fore was sworn in today as Director of the U.S. Mint by Treasury Secretary Paul O'Neill. She was confirmed by the U.S. Senate on Aug. 3.

As Director of the Mint, Fore will oversee the agency's primary mission, which is to produce an adequate volume of circulating coinage for the nation to conduct its trade and commerce.

The Mint also is responsible for the annual production of 14-20 billion circulating coins; distributing U.S. coins to the Federal Reserve banks and branches; maintaining physical custody and protection of the Nation's $100 billion of U.S. gold and silver assets; producing proof and uncirculated coins, commemorative coins, and medals for sale to the general public; manufacturing and selling platinum, gold, and silver bullion coins; oversight of production facilities; and receiving, redeeming, and processing mutilated coins.

Previously, Fore was Chairman and CEO of Holsman International, an investment and management company, and Chairman and President of Stockton Products, a manufacturer and distributor of steel products, cement additives, and wire building materials for the U.S. and European construction industry.

Fore most recently served on the Corporate Board of the New York Stock Exchange-listed Dexter Corporation, Windsor Locks, CT, and HSB Group Inc., Hartford, CT.

In addition to her private sector experience, Fore held presidential appointments within the U.S. Agency for International Development as Assistant Administrator for Asia (1991 - 1993) and Assistant Administrator for Private Enterprise (1990 - 1991). She founded and served, from 1991 to 1993, as the first Chairman of the U.S. - Asia Environmental Partnership, a coalition of business, government and community organizations in the United States and 31 Asian nations.

Fore was a Trustee and Executive Committee member at the Center for Strategic and International Studies (CSIS). She has specialized in international business and privatization; Asian trade and economic policy; technology cooperation; international finance; environmental policy reform; U.S. bilateral and multilateral development assistance, and women's leadership.

PO-542

Fore served on the Executive Committee of the Aspen Institute Board of Trustees. She recently was Chairman of the Audit Committee. For several years, she moderated values-based Leadership Seminars and mentored Henry Crown Fellows at the Aspen Institute.

In addition, Fore served as a Trustee and Director of National Public Radio Foundation, Washington, DC, Asia Society, New York, NY, The Asia Foundation, San Francisco, CA, Institute of the Americas, La Jolla, CA, US Committee - Pacific Economic Cooperation Council (USPECC), Washington, DC, and National Foundation for Women Business Owners in Washington, DC.

In 1997, Fore received the *Women Redefining Leadership* award at the State of the World Forum in San Francisco, CA. She has been a member of Chief Executives Organization (CEO), World Presidents' Organization (WPO), The Committee of 200, the Wellesley Business Leadership Council, International Women's Forum, and the National Association of Corporate Directors (NACD).

Fore earned a bachelor's degree in history from Wellesley College and a master's degree in Public Administration from the University of Northern Colorado. She studied International Politics at Oxford University and studied at Stanford University Graduate School of Business. She is married and resides in Washington, DC, and Nevada.

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
August 08, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 10-YEAR NOTES

Interest Rate:	5%	Issue Date:	August 15, 2001
Series:	C-2011	Dated Date:	August 15, 2001
CUSIP No:	9128277B2	Maturity Date:	August 15, 2011

High Yield: 5.078% Price: 99.394

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 63.72%. All tenders at lower yields were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 31,244,345	$ 10,892,363
Noncompetitive	107,692	107,692
SUBTOTAL	31,352,037	11,000,055 1/
Federal Reserve	1,043,030	1,043,030
TOTAL	$ 32,395,067	$ 12,043,085

Median yield 5.070%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 5.030%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

BID-TO-COVER RATIO = 31,352,037 / 11,000,055 = 2.85
NO FIMA NONCOMPETITIVE BIDS WERE TENDERED IN TODAY'S AUCTION. THE STRIPS MINIMUM IS $1,000.

1/ Awards to TREASURY DIRECT = $69,605,000

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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For Immediate Release
August 9, 2001

Contact: Tara Bradshaw
(202) 622-2014

WEEK FOUR: TREASURY TO MAIL OUT 8.21 MILLION CHECKS ON FRIDAY

Tomorrow the Treasury Department will send out 8.210 million advance payment checks to taxpayers for more than $3.467 billion in tax relief. These checks will be sent to taxpayers whose last two digits of their Social Security numbers are 30-39.

Week Four (August 10) Social Security Numbers 30-39
Number of Checks 8.210 million
Amount of Relief $3.467 billion

Week Three (August 3) Social Security Numbers 20-29
Number of Checks 8.185 million
Amount of Relief $3.468 billion

Week Two (July 27) Social Security Numbers 10-19
Number of Checks 8.133 million
Amount of Relief $3.443 billion

Week One (July 20) Social Security Numbers 00-09
Number of Checks 7.908 million
Amount of Relief $3.336 billion

Four Week Total
Number of Checks 32.436 million
Amount of Relief $13.714 billion

The Treasury Department will announce every week the number of checks that are being mailed out for that week, and the amount of tax relief that is being sent to taxpayers. Checks will be mailed over a ten-week period, according to the last two digits of the taxpayers Social Security number. Notices from the Internal Revenue Service will inform taxpayers the amount of their check and when they should expect it have been mailed. Single taxpayers will get a check up to $300, head of household up to $500 and married couples filing jointly will get up to $600.

PO-544

Because the Social Security number determines when checks are mailed, taxpayers may receive their checks at different times than their neighbors or other family members. On a joint return, the first number listed will set the mailout time.

If the last two digits of your Social Security number are:	**You should receive your check the week of:**
00 - 09	July 23
10 - 19	July 30
20 - 29	August 6
30 - 39	August 13
40 - 49	August 20
50 - 59	August 27
60 - 69	September 3
70 - 79	September 10
80 - 89	September 17
90 - 99	September 24

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
August 9, 2001

Contact: Betsy Holahan
(202) 622-2960

PETER R. FISHER SWORN IN AS UNDER SECRETARY OF THE U.S. TREASURY FOR DOMESTIC FINANCE

Peter R. Fisher was sworn in today as Under Secretary of the U.S. Treasury for Domestic Finance by Treasury Secretary Paul O'Neill. He was confirmed by the U.S. Senate on August 3.

As Under Secretary, Fisher is the senior advisor to the Treasury Secretary and the Deputy Secretary on all aspects of domestic finance. His office is responsible for formulating policy and legislation in the areas of financial institutions, public debt management, capital markets, government financial management services, federal lending, fiscal affairs, government-sponsored enterprises, and community development. He also serves on the board of Securities Investor Protection Corporation and chairs the Advanced Counterfeit Deterrence Steering Committee.

Prior to joining the Treasury Department, Fisher was executive vice president of the Federal Reserve Bank of New York, and manager of the System Open Market Account for the Federal Open Market Committee, overseeing all domestic open market and foreign exchange operations and the provision of account services to foreign central banks.

Fisher earned a J.D. degree from Harvard Law School in 1985 and a B.A. degree in history from Harvard College in 1980.

He is married, has two children and resides in Washington, D.C.

PO-545

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
August 9, 2001

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 $29,000 million to refund $20,335 million of publicly held bills maturing August 16, 2001, and to raise about $8,665 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $10,284 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders in these auctions or the 4-week bill auction to be held next week. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of each auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers have requested that we reinvest their maturing holdings of approximately $1,085 million into the 13-week bill and $1,110 million into the 26-week bill.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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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PO-546

Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED AUGUST 16, 2001

August 9, 2001

Offering Amount	$15,000 million	$14,000 million
Public Offering	Offering amount less the amount awarded to FIMA accounts	

Description of Offering:

Term and type of security	91-day bill	182-day bill
CUSIP number	912795 HV 6	912795 JG 7
Auction date	August 13, 2001	August 13, 2001
Issue date	August 16, 2001	August 16, 2001
Maturity date	November 15, 2001	February 14, 2002
Original issue date	May 17, 2001	August 16, 2001
Currently outstanding	$13,279 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 million at the highest discount rate of accepted competitive bids.

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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 Rate.... 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

FOR IMMEDIATE RELEASE
August 09, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 29-1/2-YEAR BONDS

This issue is a reopening of a bond originally issued February 15, 2001.

Interest Rate:	5 3/8%	Issue Date:	August 15, 2001
Series:		Dated Date:	August 15, 2001
CUSIP No:	912810FP8	Maturity Date:	February 15, 2031
STRIPS Minimum:	$1,000		

High Yield: 5.520% Price: 97.900

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 7.10%. All tenders at lower yields were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 10,772,512	$ 4,967,684
Noncompetitive	32,343	32,343
SUBTOTAL	10,804,855	5,000,027 1/
Federal Reserve	540,230	540,230
TOTAL	$ 11,345,085	$ 5,540,257

Median yield 5.472%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 5.400%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

BID-TO-COVER RATIO = 10,804,855 / 5,000,027 = 2.16
NO FIMA NONCOMPETITIVE BIDS WERE TENDERED IN TODAY'S AUCTION.

1/ Awards to TREASURY DIRECT = $21,301,000

PO-547

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
August 10, 2001

Contact: Tara Bradshaw
(202) 622-2014

U.S., JAPAN TO NEGOTIATE REVISION TO INCOME TAX TREATY

The United States and Japan have agreed to open formal negotiations with respect to a new bilateral income tax treaty. The two governments are in the process of scheduling the first round of formal negotiations, with a view to holding them in October, 2001, in Tokyo. The new treaty would replace the treaty currently in force between the two countries, which has been in effect since 1972. The two Governments have decided that the current treaty needs to be revised to take into account significant developments in the tax treaty policies and domestic tax systems of both countries since 1972.

The Treasury Department invites written comments from the public regarding the upcoming negotiations. Comments on the proposed treaty revision should be sent to Barbara M. Angus, International Tax Counsel, Room 1000 Main Treasury, Washington, DC 20220. Comments may also be sent by fax to (202) 622-0646.

-30-

PO-548

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 11:30 A.M.
August 13, 2001

Contact: Office of Financing
202/691-3550

TREASURY OFFERS 4-WEEK BILLS

The Treasury will auction approximately $11,000 million of 4-week bills to be issued August 16, 2001.

Tenders for bills to be held on the book-entry records of *TreasuryDirect* will not be accepted.

Federal Reserve Banks for their own accounts hold $10,284 million of bills maturing August 16, 2001, which may be refunded at the highest discount rate of accepted competitive tenders. These accounts may be awarded 4-week bills in an amount up to the remaining balance of the $10,284 million not refunded in today's 13- and 26-week bill auctions. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of the auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

Note: Competitive bidders in 4-week bill auctions will be required to report their net long position (NLP), if they meet or exceed the reporting threshold. However, Treasury will not include NLPs in the calculation of award limits for those bidders.

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.

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0-549

Attachment

HIGHLIGHTS OF TREASURY OFFERING
OF 4-WEEK BILLS TO BE ISSUED AUGUST 16, 2001

August 13, 2001

Offering Amount..................... $11,000 million
Public Offering..................... Offering amount less the amount awarded to FIMA accounts

Description of Offering:
Term and type of security........... 28-day bill
CUSIP number........................ 912795 GR 6
Auction date........................ August 14, 2001
Issue date.......................... August 16, 2001
Maturity date....................... September 13, 2001
Original issue date................. March 15, 2001
Currently outstanding............... $30,687 million
Minimum bid amount and multiples.... $1,000

Submission of Bids:
Noncompetitive bids: Accepted in full up to $1 million at the highest discount rate of accepted competitive bids.
Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.
Competitive bids:
(1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 4.215%.
(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 Rate...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.

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
August 13, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	August 16, 2001
Maturity Date:	November 15, 2001
CUSIP Number:	912795HV6

High Rate: 3.350% Investment Rate 1/: 3.426% Price: 99.153

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 69.34%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 30,377,318	$ 13,306,738
Noncompetitive	1,468,515	1,468,515
FIMA (noncompetitive)	225,000	225,000
SUBTOTAL	32,070,833	15,000,253 2/
Federal Reserve	4,157,807	4,157,807
TOTAL	$ 36,228,640	$ 19,158,060

Median rate 3.330%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.300%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 32,070,833 / 15,000,253 = 2.14

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,191,250,000

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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
August 13, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	August 16, 2001
Maturity Date:	February 14, 2002
CUSIP Number:	912795JG7

High Rate: 3.260% Investment Rate 1/: 3.360% Price: 98.352

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 19.80%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 29,787,435	$ 12,378,774
Noncompetitive	1,546,442	1,546,442
FIMA (noncompetitive)	75,000	75,000
SUBTOTAL	31,408,877	14,000,216 2/
Federal Reserve	5,209,964	5,209,964
TOTAL	$ 36,618,841	$ 19,210,180

Median rate 3.250%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.205%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 31,408,877 / 14,000,216 = 2.24

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,183,452,000

PO-551

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
August 13, 2001

Contact: Karen Mocker, (202) 622-8401
Bill Luecht, (202) 622-8042

TONY T. BROWN APPOINTED AS DIRECTOR OF COMMUNITY DEVELOPMENT FUND

Washington, DC – Tony T. Brown has been appointed Director of the Community Development Financial Institutions (CDFI) Fund by Treasury Secretary Paul H. O'Neill. Mr. Brown's tenure begins today.

As Director of the CDFI Fund, Mr. Brown will oversee the expansion of access to capital and financial services in critically under-served urban, rural and Native American communities, where one of the biggest obstacles to economic development is a lack of access to mainstream sources of private sector capital.

Before receiving the appointment, Mr. Brown served as a Senior Vice President for Bank of America in Jacksonville, FL, from 1990 to 2001. Mr. Brown's tenure at Bank of America included a number of senior management positions in community development.

Among his prior responsibilities, Mr. Brown was the executive charged with managing the bank's community development program for the state of Florida, which included community development lending and the provision of financial services. These activities resulted in over $2 billion in annual loan production and "Outstanding" ratings in Community Reinvestment Act (CRA) performance.

Mr. Brown is a graduate of Xavier University in Cincinnati, Ohio with a Master of Business Administration degree in Finance and a Bachelor of Arts degree in International Affairs and Business.

For more information on the CDFI Fund and its programs, please visit our website at www.treas.gov/cdfi.

-30-

PO-552

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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U.S. International Reserve Position 8/14/01

The Treasury Department today released U.S. reserve assets data for the week ending August 10, 2001. As indicated in this table, U.S. reserve assets totaled $66,779 million as of August 10, 2001, up from $66,290 million as of August 3, 2001.

(in US millions)

I. Official U.S. Reserve Assets	August 3, 2001			August 10, 2001		
TOTAL	66,290			66,799		
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	5,344	10,675	16,019	5,417	10,805	16,222
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	9,022	4,622	13,643	9,128	4,678	13,807
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			15,033			*15,117*
3. Special Drawing Rights (SDRs) [2]			0,551			*10,610*
4. Gold Stock [3]			11,044			11,044
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for August 3 are final. The entries in the table above for August 10 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of June 30, 2001. The May 31, 2001 value was $11,044 million.

PO-553

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	August 3, 2001	August 10, 2001
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	August 3, 2001	August 10, 2001
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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MEDIA ADVISORY

Treasury Secretary Paul H. O'Neill will swear in Rosario Marin as the 41st U.S. Treasurer at 4 p.m. EDT on Thursday, August 16, 2001 in the Treasury Department's Diplomatic Reception Room (Room 3311), 1500 Pennsylvania Ave., N.W.

The position of U.S. Treasurer is the oldest office in the U.S. government, pre-dating the Department of Treasury as well as the President.

The Diplomatic Room will be available for pre-set at 3 p.m.

Media without Treasury or White House press credentials planning to attend should contact Treasury's Office of Public Affairs at 202-622-2960, by close of business Wednesday, August 15, 2001 with the following information: name, social security number and date of birth. This information may also be faxed to 202-622-1999.

-30-

PO-554

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
August 14, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 4-WEEK BILLS

Term:	28-Day Bill
Issue Date:	August 16, 2001
Maturity Date:	September 13, 2001
CUSIP Number:	912795GR6

High Rate: 3.470% Investment Rate 1/: 3.529% Price: 99.730

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 36.53%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 28,651,474	$ 10,983,227
Noncompetitive	17,003	17,003
SUBTOTAL	28,668,477	11,000,230
Federal Reserve	916,180	916,180
TOTAL	$ 29,584,657	$ 11,916,410

Median rate 3.460%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.420%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

BID-TO-COVER RATIO = 28,668,477 / 11,000,230 = 2.61
NO FIMA NONCOMPETITIVE BIDS WERE TENDERED IN TODAY'S AUCTION.

1/ 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 9:00 A.M.
August 15, 2001

PUBLIC CONTACT: Office of Financing
202-691-3550

MEDIA CONTACT: Office of Public Affairs
202-622-2960

TREASURY ANNOUNCES DEBT BUYBACK OPERATION

On August 16, 2001, the Treasury will buy back up to $1,750 million par of its outstanding issues that mature between February 2015 and August 2019. Treasury reserves the right to accept less than the announced amount.

This debt buyback (redemption) operation will be conducted by Treasury's Fiscal Agent, the Federal Reserve Bank of New York, using its Open Market operations system. Only institutions that the Federal Reserve Bank of New York has approved to conduct Open Market transactions may submit offers on behalf of themselves and their customers. Offers at the highest accepted price for a particular issue may be accepted on a prorated basis, rounded up to the next $100,000. As a result of this rounding, the Treasury may buy back an amount slightly larger than the one announced above.

This debt buyback operation is governed by the terms and conditions set forth in 31 CFR Part 375 and this announcement.

The debt buyback operation regulations are available on the Bureau of the Public Debt's website at www.publicdebt.treas.gov.

Details about the operation and each of the eligible issues are given in the attached highlights.

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Attachment

0-556

HIGHLIGHTS OF TREASURY DEBT BUYBACK OPERATION

August 15, 2001

Par amount to be bought back ....Up to $1,750 million
Operation date ....August 16, 2001
Operation close time ....11:00 a.m. eastern daylight saving time
Settlement date ....August 20, 2001
Minimum par offer amount $100,000
Multiples of par $100,000
Format for offers ..... Expressed in terms of price per $100 of par with three decimals. The first two decimals represent fractional 32nds of a dollar. The third decimal represents eighths of a 32nd of a dollar, and must be a 0, 2, 4, or 6.
Delivery instructions ....ABA Number 021001208 FRB NYC/CUST

Treasury issues eligible for debt buyback operation (in millions):

Coupon Rate (%)	Maturity Date	CUSIP Number	Par Amount Outstanding*	Par Amount Privately Held*	Par Amount Held as STRIPS**
11.250	02/15/2015	912810 DP 0	11,086	9,240	3,520
10.625	08/15/2015	912810 DS 4	4,391	3,224	982
9.875	11/15/2015	912810 DT 2	5,667	4,660	2,331
9.250	02/15/2016	912810 DV 7	5,812	4,775	474
7.250	05/15/2016	912810 DW 5	18,824	17,724	133
7.500	11/15/2016	912810 DX 3	18,824	17,168	1,410
8.750	05/15/2017	912810 DY 1	16,242	13,487	7,227
8.875	08/15/2017	912810 DZ 8	12,031	9,973	2,897
9.125	05/15/2018	912810 EA 2	7,072	5,833	4,300
9.000	11/15/2018	912810 EB 0	7,614	6,734	4,086
8.875	02/15/2019	912810 EC 8	14,833	12,460	5,806
8.125	08/15/2019	912810 ED 6	19,096	16,556	836
		Total	141,492	121,834	34,002

* Par amounts are as of August 14, 2001.
** Par amounts are as of August 13, 2001.

The difference between the par amount outstanding and the par amount privately held is the par amount of those issues held by the Federal Reserve System.

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 16, 2001

Contact: Office of Financing
202-691-3550

**TREASURY'S INFLATION-INDEXED SECURITIES
SEPTEMBER 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 September for the following Treasury inflation-indexed securities:

(1) 3-3/8% 10-year notes due January 15, 2007
(2) 3-5/8% 5-year notes due July 15, 2002
(3) 3-5/8% 10-year notes due January 15, 2008
(4) 3-5/8% 30-year bonds due April 15, 2028
(5) 3-7/8% 10-year notes due January 15, 2009
(6) 3-7/8% 30-year bonds due April 15, 2029
(7) 4-1/4% 10-year notes due January 15, 2010
(8) 3-1/2% 10-year notes due January 15, 2011

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 557. The information is also available on the Internet at Public Debt's website (http://www.publicdebt.treas.gov).

The information for October is expected to be released on September 18, 2001.

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Attachment

PO-557

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
September 2001

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(s):		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
Sept. 1 2001	178.00000	1.12349	1.11142	1.10179	1.10053
Sept. 2 2001	177.98333	1.12338	1.11132	1.10169	1.10043
Sept. 3 2001	177.96667	1.12328	1.11122	1.10159	1.10033
Sept. 4 2001	177.95000	1.12317	1.11111	1.10148	1.10022
Sept. 5 2001	177.93333	1.12306	1.11101	1.10138	1.10012
Sept. 6 2001	177.91667	1.12296	1.11090	1.10128	1.10002
Sept. 7 2001	177.90000	1.12285	1.11080	1.10117	1.09991
Sept. 8 2001	177.88333	1.12275	1.11070	1.10107	1.09981
Sept. 9 2001	177.86667	1.12264	1.11059	1.10097	1.09971
Sept. 10 2001	177.85000	1.12254	1.11049	1.10086	1.09960
Sept. 11 2001	177.83333	1.12243	1.11038	1.10076	1.09950
Sept. 12 2001	177.81667	1.12233	1.11028	1.10066	1.09940
Sept. 13 2001	177.80000	1.12222	1.11018	1.10056	1.09930
Sept. 14 2001	177.78333	1.12212	1.11007	1.10045	1.09919
Sept. 15 2001	177.76667	1.12201	1.10997	1.10035	1.09909
Sept. 16 2001	177.75000	1.12191	1.10986	1.10025	1.09899
Sept. 17 2001	177.73333	1.12180	1.10976	1.10014	1.09888
Sept. 18 2001	177.71667	1.12170	1.10966	1.10004	1.09878
Sept. 19 2001	177.70000	1.12159	1.10955	1.09994	1.09868
Sept. 20 2001	177.68333	1.12149	1.10945	1.09983	1.09857
Sept. 21 2001	177.66667	1.12138	1.10934	1.09973	1.09847
Sept. 22 2001	177.65000	1.12128	1.10924	1.09963	1.09837
Sept. 23 2001	177.63333	1.12117	1.10913	1.09952	1.09826
Sept. 24 2001	177.61667	1.12107	1.10903	1.09942	1.09816
Sept. 25 2001	177.60000	1.12096	1.10893	1.09932	1.09806
Sept. 26 2001	177.58333	1.12086	1.10882	1.09921	1.09796
Sept. 27 2001	177.56667	1.12075	1.10872	1.09911	1.09785
Sept. 28 2001	177.55000	1.12065	1.10861	1.09901	1.09775
Sept. 29 2001	177.53333	1.12054	1.10851	1.09890	1.09765
Sept. 30 2001	177.51667	1.12044	1.10841	1.09880	1.09754

CPI-U (NSA) for : May 2001 177.7 June 2001 178.0 July 2001 177.5

TREASURY INFLATION-INDEXED SECURITIES
Ref CPI and Index Ratios for
September 2001

Security:		3-7/8% 10-Year Notes	3-7/8% 30-Year Bonds	4-1/4% 10-Year Notes	3-1/2% 10-Year Notes
Description:		Series A-2009	Bonds of April 2029	Series A-2010	Series A-2011
CUSIP Number:		9128274Y5	912810FH6	9128275W8	9128276R8
Dated Date:		January 15, 1999	April 15, 1999	January 15, 2000	January 15, 2001
Original Issue Date:		January 15, 1999	April 15, 1999	January 18, 2000	January 16, 2001
Additional Issue Date(s):		July 15, 1999	October 15, 1999 October 15, 2000	July 15, 2000	July 16, 2001
Maturity Date:		January 15, 2009	April 15, 2029	January 15, 2010	January 15, 2011
Ref CPI on Dated Date:		164.00000	164.39333	168.24516	174.04516
Date	**Ref CPI**	**Index Ratio**	**Index Ratio**	**Index Ratio**	**Index Ratio**
Sept. 1 2001	178.00000	1.08537	1.08277	1.05798	1.02272
Sept. 2 2001	177.98333	1.08526	1.08267	1.05788	1.02263
Sept. 3 2001	177.96667	1.08516	1.08257	1.05778	1.02253
Sept. 4 2001	177.95000	1.08506	1.08246	1.05768	1.02244
Sept. 5 2001	177.93333	1.08496	1.08236	1.05758	1.02234
Sept. 6 2001	177.91667	1.08486	1.08226	1.05748	1.02224
Sept. 7 2001	177.90000	1.08476	1.08216	1.05739	1.02215
Sept. 8 2001	177.88333	1.08465	1.08206	1.05729	1.02205
Sept. 9 2001	177.86667	1.08455	1.08196	1.05719	1.02196
Sept. 10 2001	177.85000	1.08445	1.08186	1.05709	1.02186
Sept. 11 2001	177.83333	1.08435	1.08176	1.05699	1.02177
Sept. 12 2001	177.81667	1.08425	1.08165	1.05689	1.02167
Sept. 13 2001	177.80000	1.08415	1.08155	1.05679	1.02157
Sept. 14 2001	177.78333	1.08404	1.08145	1.05669	1.02148
Sept. 15 2001	177.76667	1.08394	1.08135	1.05659	1.02138
Sept. 16 2001	177.75000	1.08384	1.08125	1.05649	1.02129
Sept. 17 2001	177.73333	1.08374	1.08115	1.05639	1.02119
Sept. 18 2001	177.71667	1.08364	1.08105	1.05630	1.02110
Sept. 19 2001	177.70000	1.08354	1.08094	1.05620	1.02100
Sept. 20 2001	177.68333	1.08343	1.08084	1.05610	1.02090
Sept. 21 2001	177.66667	1.08333	1.08074	1.05600	1.02081
Sept. 22 2001	177.65000	1.08323	1.08064	1.05590	1.02071
Sept. 23 2001	177.63333	1.08313	1.08054	1.05580	1.02062
Sept. 24 2001	177.61667	1.08303	1.08044	1.05570	1.02052
Sept. 25 2001	177.60000	1.08293	1.08034	1.05560	1.02042
Sept. 26 2001	177.58333	1.08283	1.08023	1.05550	1.02033
Sept. 27 2001	177.56667	1.08272	1.08013	1.05540	1.02023
Sept. 28 2001	177.55000	1.08262	1.08003	1.05531	1.02014
Sept. 29 2001	177.53333	1.08252	1.07993	1.05521	1.02004
Sept. 30 2001	177.51667	1.08242	1.07983	1.05511	1.01995

CPI-U (NSA) for : May 2001 177.7 June 2001 178.0 July 2001 177.5

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 4:00 P.M. EDT
August 16, 2001

Contact: Betsy Holahan
(202) 622-2960

Rosario Marin Sworn In as 41st U.S. Treasurer

WASHINGTON, DC – Rosario Marin was sworn in today as the 41st U.S. Treasurer by Treasury Secretary Paul H. O'Neill. She was confirmed by the Senate on Aug. 3, 2001.

As Treasurer, the oldest office in the U.S. government, Marin oversees matters relating to coinage, currency and the production of other instruments issued by the United States. She reviews currency issues and redemptions, as well as signs U.S. currency. She also oversees the U.S. Mint and the Bureau of Engraving and Printing and serves as the National Honorary Director of the Savings Bonds Program.

"I am pleased to welcome Rosario Marin to this historic role at the Treasury Department," said Secretary O'Neill. "With her long and distinguished record of public service, she will be a valuable asset to the Department and the Bush Administration."

Prior to joining the Administration, Marin served as mayor and councilwoman of Huntington Park, CA. She concurrently worked for AT&T as Public Relations Manager for the Hispanic Market in the Southern California Region.

Marin previously served as Deputy Director of the Governor's Office of Community Relations, in Los Angeles, CA, in the administration of former California Governor Pete Wilson. She also previously served as Assistant Deputy Director of the California State Department of Social Services; as Chair of the California State Council on Developmental Disabilities; and as Chief of Legislative Affairs for the California Department of Developmental Services.

Marin is a graduate of California State University in Los Angeles, and of Harvard University's John F. Kennedy School of Government Programs for Senior Executives in State and Local Government.

Marin and her husband Alex have three children, Eric, Carmen and Alex.

-30-

PO-558

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
August 16, 2001

Contact: Tara Bradshaw
(202) 622-2014

WEEK FIVE:
TREASURY TO MAIL OUT 8.219 MILLION CHECKS ON FRIDAY

Tomorrow the Treasury Department will send out 8.219 million advance payment checks to taxpayers for more than $3.483 billion in tax relief. These checks will be sent to taxpayers whose last two digits of their Social Security numbers are 40-49.

Week Five (August 17) Social Security Numbers 40-49
Number of Checks 8.219 million
Amount of Relief $3.483 billion

Week Four (August 10) Social Security Numbers 30-39
Number of Checks 8.210 million
Amount of Relief $3.467 billion

Week Three (August 3) Social Security Numbers 20-29
Number of Checks 8.185 million
Amount of Relief $3.468 billion

Week Two (July 27) Social Security Numbers 10-19
Number of Checks 8.133 million
Amount of Relief $3.443 billion

Week One (July 20) Social Security Numbers 00-09
Number of Checks 7.908 million
Amount of Relief $3.336 billion

Five Week Total
Number of Checks 40.655 million
Amount of Relief $17.197 billion

PO-559

The Treasury Department will announce every week the number of checks that are being mailed out for that week, and the amount of tax relief that is being sent to taxpayers. Checks will be mailed over a ten-week period, according to the last two digits of the taxpayers Social Security number. Notices from the Internal Revenue Service will inform taxpayers the amount of their check and when they should expect it have been mailed. Single taxpayers will get a check up to $300, head of household up to $500 and married couples filing jointly will get up to $600.

Because the Social Security number determines when checks are mailed, taxpayers may receive their checks at different times than their neighbors or other family members. On a joint return, the first number listed will set the mailout time.

If the last two digits of your Social Security number are:	**You should receive your check the week of:**
00 - 09	July 23
10 - 19	July 30
20 - 29	August 6
30 - 39	August 13
40 - 49	August 20
50 - 59	August 27
60 - 69	September 3
70 - 79	September 10
80 - 89	September 17
90 - 99	September 24

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
August 16, 2001

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Office of Public Affairs
202-622-2960

TREASURY DEBT BUYBACK OPERATION RESULTS

Today, Treasury completed a debt buyback (redemption) operation for $1,750 million par of its outstanding issues. A total of 12 issues maturing between February 2015 and August 2019 were eligible for this operation. The settlement date for this operation will be August 20, 2001. Summary results of this operation are presented below.

(amounts in millions)

Offers Received (Par Amount):	$10,451
Offers Accepted (Par Amount):	1,750
Total Price Paid for Issues (Less Accrued Interest):	2,475
Number of Issues Eligible:	
For Operation:	12
For Which Offers were Accepted:	7
Weighted Average Yield of all Accepted Offers (%):	5.458
Weighted Average Maturity for all Accepted Securities (in years):	15.1

Details for each issue accompany this release.

PO-560

August 16, 2001

TREASURY DEBT BUYBACK OPERATION RESULTS

(amounts in millions, prices in decimals)

Table I

Coupon Rate (%)	Maturity Date	Par Amount Offered	Par Amount Accepted	Highest Accepted Price	Weighted Average Accepted Price
11.250	02/15/2015	1,019	278	156.062	156.059
10.625	08/15/2015	818	327	150.906	150.878
9.875	11/15/2015	765	25	143.812	143.812
9.250	02/15/2016	688	114	137.812	137.802
7.250	05/15/2016	573	0	N/A	N/A
7.500	11/15/2016	607	0	N/A	N/A
8.750	05/15/2017	1,394	598	133.921	133.882
8.875	08/15/2017	780	335	135.500	135.481
9.125	05/15/2018	655	0	N/A	N/A
9.000	11/15/2018	940	0	N/A	N/A
8.875	02/15/2019	1,142	74	136.953	136.953
8.125	08/15/2019	1,071	0	N/A	N/A

Table II

Coupon Rate (%)	Maturity Date	CUSIP Number	Lowest Accepted Yield	Weighted Average Accepted Yield	Par Amount Privately Held*
11.250	02/15/2015	912810DP0	5.358	5.358	8,963
10.625	08/15/2015	912810DS4	5.394	5.397	2,897
9.875	11/15/2015	912810DT2	5.418	5.418	4,635
9.250	02/15/2016	912810DV7	5.443	5.444	4,661
7.250	05/15/2016	912810DW5	N/A	N/A	17,724
7.500	11/15/2016	912810DX3	N/A	N/A	17,168
8.750	05/15/2017	912810DY1	5.500	5.503	12,890
8.875	08/15/2017	912810DZ8	5.507	5.508	9,638
9.125	05/15/2018	912810EA2	N/A	N/A	5,833
9.000	11/15/2018	912810EB0	N/A	N/A	6,734
8.875	02/15/2019	912810EC8	5.547	5.547	12,386
8.125	08/15/2019	912810ED6	N/A	N/A	16,556

Total Par Amount Offered: 10,451

Total Par Amount Accepted: 1,750

Note: Due to rounding, details may not add to totals.

*Amount outstanding after operation. Calculated using amounts reported on announcement.

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.
August 16, 2001

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 $29,000 million to refund $20,956 million of publicly held bills maturing August 23, 2001, and to raise about $8,044 million of new cash.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $10,634 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders in these auctions or the 4-week bill auction to be held next week. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of each auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers have requested that we reinvest their maturing holdings of approximately $1,031 million into the 13-week bill and $791 million into the 26-week bill.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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

PO-561

Attachment

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:
Sunday, August 19, 2001

Contact Tony Fratto
at 202-622-2960.

Statement of G-7 Finance Ministers

We welcome the progress that has been made in ongoing discussions between the IMF and Argentina. We are optimistic about the prospects for agreement on a program that will help Argentina return to sustainable economic growth.

PO-562

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 11:30 A.M.
August 20, 2001

Contact: Office of Financing
202/691-3550

TREASURY OFFERS 4-WEEK BILLS

The Treasury will auction approximately $13,000 million of 4-week bills to be issued August 23, 2001.

Tenders for bills to be held on the book-entry records of *TreasuryDirect* will not be accepted.

Federal Reserve Banks for their own accounts hold $10,634 million of bills maturing August 23, 2001, which may be refunded at the highest discount rate of accepted competitive tenders. These accounts may be awarded 4-week bills in an amount up to the remaining balance of the $10,634 million not refunded in today's 13- and 26-week bill auctions. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of the auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

Note: Competitive bidders in 4-week bill auctions will be required to report their net long position (NLP), if they meet or exceed the reporting threshold. However, Treasury will not include NLPs in the calculation of award limits for those bidders.

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

PO-563
Attachment

HIGHLIGHTS OF TREASURY OFFERING
OF 4-WEEK BILLS TO BE ISSUED AUGUST 23, 2001

August 20, 2001

Offering Amount .... $13,000 million
Public Offering .... $13,000 million

Description of Offering:
Term and type of security .... 28-day bill
CUSIP number .... 912795 HP 9
Auction date .... August 21, 2001
Issue date .... August 23, 2001
Maturity date .... September 20, 2001
Original issue date .... March 22, 2001
Currently outstanding .... $30,626 million
Minimum bid amount and multiples ... $1,000

Submission of Bids:
Noncompetitive bids: Accepted in full up to $1 million at the highest discount rate of accepted competitive bids.
Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.
Competitive bids:
(1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 4.215%.
(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 Rate...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.

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
August 20, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	August 23, 2001
Maturity Date:	February 21, 2002
CUSIP Number:	912795JH5

High Rate: 3.290% Investment Rate 1/: 3.392% Price: 98.337

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 26.19%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 22,123,688	$ 12,834,632
Noncompetitive	1,115,475	1,115,475
FIMA (noncompetitive)	50,000	50,000
SUBTOTAL	23,289,163	14,000,107 2/
Federal Reserve	5,216,492	5,216,492
TOTAL	$ 28,505,655	$ 19,216,599

Median rate 3.260%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.230%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 23,289,163 / 14,000,107 = 1.66

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $860,047,000

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
August 20, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	92-Day Bill
Issue Date:	August 23, 2001
Maturity Date:	November 23, 2001
CUSIP Number:	912795HW4

High Rate: 3.330% Investment Rate 1/: 3.405% Price: 99.149

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 85.91%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 28,161,358	$ 13,479,901
Noncompetitive	1,370,139	1,370,139
FIMA (noncompetitive)	150,000	150,000
SUBTOTAL	29,681,497	15,000,040 2/
Federal Reserve	4,087,640	4,087,640
TOTAL	$ 33,769,137	$ 19,087,680

Median rate 3.300%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.250%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 29,681,497 / 15,000,040 = 1.98

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,132,619,000

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

U.S. International Reserve Position 8/21/01

The Treasury Department today released U.S. reserve assets data for the week ending August 17, 2001. As indicated in this table, U.S. reserve assets totaled $67,925 million as of August 17, 2001, up from $67,059 million as of August 10, 2001.

(in US millions)

I. Official U.S. Reserve Assets	August 10, 2001			August 17, 2001		
TOTAL	67,059			67,925		
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	5,417	10,805	16,222	5,562	10,949	16,511
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	9,128	4,678	13,807	9,366	4,741	14,106
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			15,230			*15,393*
3. Special Drawing Rights (SDRs) [2]			10,756			*10,871*
4. Gold Stock [3]			11,044			11,044
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for August 10 are final. The entries in the table above for August 17 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of June 30, 2001. The May 31, 2001 value was $11,044 million.

PO-566

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets	August 10, 2001	August 17, 2001
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets	August 10, 2001	August 17, 2001
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

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
August 21, 2001

Contact: Public Affairs
(202) 622-2960

STATEMENT BY TREASURY SECRETARY PAUL H. O'NEILL

The Administration respects the independence of the Federal Reserve in making decisions about our nation's monetary policy. We share the Federal Reserve's goals of maintaining healthy economic growth while preserving low inflation.

-30-

PO-567

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:
August 21, 2001

Contact Michele Davis
or Tony Fratto
at 202-622-2960.

Statement of Treasury Secretary Paul O'Neill on IMF Agreement with Argentina

I welcome the agreement between Argentina and IMF management. This is an important step as we continue to work toward a sustainable long-term solution to Argentina's economic problems. A portion of the new program is specifically dedicated to assisting in a voluntary debt exchange to help make Argentina's fiscal situation more sustainable.

Argentina has taken exceptional steps in enacting a zero deficit law to address its economic challenges. It is critical that this new law be vigorously implemented, and I applaud the new measures to buttress its implementation.

Today, in conjunction with these financial efforts, the US Trade Representative Robert B. Zoellick has issued a statement expressing his interest in pursuing at an early date additional trade discussions through the "Four-Plus-One" format created in 1991. The purpose of this ministerial level meeting would be to discuss common interests in free trade, including the launch of a new global trade round through the WTO in November, the Free Trade Area of the Americas, and bilateral possibilities.

There is much additional work to be done, and we will continue to work with the IMF to find a way to help Argentina restore growth in its economy.

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PO-568

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

EMBARGOED UNTIL 9:00 A.M.
August 22, 2001

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Office of Public Affairs
202-622-2960

TREASURY ANNOUNCES DEBT BUYBACK OPERATION

On August 23, 2001, the Treasury will buy back up to $1,750 million par of its outstanding issues that mature between February 2019 and February 2023. Treasury reserves the right to accept less than the announced amount.

This debt buyback (redemption) operation will be conducted by Treasury's Fiscal Agent, the Federal Reserve Bank of New York, using its Open Market operations system. Only institutions that the Federal Reserve Bank of New York has approved to conduct Open Market transactions may submit offers on behalf of themselves and their customers. Offers at the highest accepted price for a particular issue may be accepted on a prorated basis, rounded up to the next $100,000. As a result of this rounding, the Treasury may buy back an amount slightly larger than the one announced above.

This debt buyback operation is governed by the terms and conditions set forth in 31 CFR Part 375 and this announcement.

The debt buyback operation regulations are available on the Bureau of the Public Debt's website at www.publicdebt.treas.gov.

Details about the operation and each of the eligible issues are given in the attached highlights.

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Attachment

PO-569

HIGHLIGHTS OF TREASURY DEBT BUYBACK OPERATION

August 22, 2001

Par amount to be bought back .... Up to $1,750 million
Operation date .... August 23, 2001
Operation close time .... 11:00 a.m. eastern daylight saving time
Settlement date .... August 27, 2001
Minimum par offer amount $100,000
Multiples of par $100,000
Format for offers ..... Expressed in terms of price per $100 of par with three decimals. The first two decimals represent fractional 32[nds] of a dollar. The third decimal represents eighths of a 32[nd] of a dollar, and must be a 0, 2, 4, or 6.
Delivery instructions .... ABA Number 021001208 FRB NYC/CUST

Treasury issues eligible for debt buyback operation (in millions):

Coupon Rate (%)	Maturity Date	CUSIP Number	Par Amount Outstanding*	Par Amount Privately Held*	Par Amount Held as STRIPS**
8.875	02/15/2019	912810 EC 8	14,759	12,386	5,724
8.125	08/15/2019	912810 ED 6	19,096	16,556	877
8.500	02/15/2020	912810 EE 4	9,808	8,322	1,929
8.750	05/15/2020	912810 EF 1	8,067	6,566	5,037
8.750	08/15/2020	912810 EG 9	17,935	15,392	9,282
7.875	02/15/2021	912810 EH 7	10,218	9,111	903
8.125	05/15/2021	912810 EJ 3	10,244	8,626	3,707
8.125	08/15/2021	912810 EK 0	10,117	8,459	1,463
8.000	11/15/2021	912810 EL 8	30,897	27,234	16,562
7.250	08/15/2022	912810 EM 6	10,238	9,250	1,080
7.625	11/15/2022	912810 EN 4	7,784	6,183	3,043
7.125	02/15/2023	912810 EP 9	16,298	13,663	6,287
		Total	165,461	141,748	55,894

* Par amounts are as of August 21, 2001.
** Par amounts are as of August 20, 2001.

The difference between the par amount outstanding and the par amount privately held is the par amount of those issues held by the Federal Reserve System.

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
August 22, 2001

Contact: Tara Bradshaw
(202) 622-2960

O'NEILL STATEMENT ON THE MID-SESSION BUDGET REVIEW

Treasury Secretary Paul O'Neill made the following statement on the Mid-Session Budget Review:

Today's report confirms that this year the federal government will enjoy the second largest surplus in U.S. history. And by cutting taxes, we've taken steps to boost our economy and ensure that large federal surpluses continue for years to come, so long as Congress works with the President to rein in wasteful spending.

-30-

PO-570

DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 2:30 P.M.
August 22, 2001

CONTACT: Office of Financing
202/691-3550

TREASURY TO AUCTION $14,000 MILLION OF 2-YEAR NOTES

The Treasury will auction $14,000 million of 2-year notes to refund $28,397 million of publicly held notes maturing August 31, 2001, and to pay down about $14,397 million.

In addition to the public holdings, Federal Reserve Banks hold $5,722 million of the maturing notes for their own accounts, which may be refunded by issuing an additional amount of the new security.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of the auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers requested that we reinvest their maturing holdings of approximately $729 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 allocation percentage applied to bids awarded at the highest yield will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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

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.

PO-571

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Attachment

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF
2-YEAR NOTES TO BE ISSUED AUGUST 31, 2001

August 22, 2001

Offering Amount	$14,000 million
Public Offering	$14,000 million

Description of Offering:

Term and type of security	2-year notes
Series	T-2003
CUSIP number	912827 7C 0
Auction date	August 29, 2001
Issue date	August 31, 2001
Dated date	August 31, 2001
Maturity date	August 31, 2003
Interest rate	Determined based on the highest accepted competitive bid
Yield	Determined at auction
Interest payment dates	February 28 and August 31
Minimum bid amount and multiples	$1,000
Accrued interest payable by investor	None
Premium or discount	Determined at auction

STRIPS Information:

Minimum amount required	$1,000
Corpus CUSIP number	912820 GM 3
Due date(s) and CUSIP number(s) for additional TINT(s)	August 31, 2003 - - 912833 YB 0

Submission of Bids:

Noncompetitive bids:

Accepted in full up to $5 million at the highest accepted yield.

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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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For Immediate Release
August 23, 2001

Contact: Tara Bradshaw
(202) 622-2014

WEEK SIX: TREASURY TO MAIL OUT 8.266 MILLION CHECKS ON FRIDAY

Tomorrow the Treasury Department will send out 8.266 million advance payment checks to taxpayers for more than $3.550 billion in tax relief. These checks will be sent to taxpayers whose last two digits of their Social Security numbers are 50-59.

Week Six (August 24) Social Security Numbers 50-59
Number of Checks 8.266 million
Amount of Relief $3.550 billion

Week Five (August 17) Social Security Numbers 40-49
Number of Checks 8.219 million
Amount of Relief $3.483 billion

Week Four (August 10) Social Security Numbers 30-39
Number of Checks 8.210 million
Amount of Relief $3.467 billion

Week Three (August 3) Social Security Numbers 20-29
Number of Checks 8.185 million
Amount of Relief $3.468 billion

Week Two (July 27) Social Security Numbers 10-19
Number of Checks 8.133 million
Amount of Relief $3.443 billion

Week One (July 20) Social Security Numbers 00-09
Number of Checks 7.908 million
Amount of Relief $3.336 billion

Six Week Total
Number of Checks 48.921 million
Amount of Relief $20.747 billion

PO-572

The Treasury Department will announce every week the number of checks that are being mailed out for that week, and the amount of tax relief that is being sent to taxpayers. Checks will be mailed over a ten-week period, according to the last two digits of the taxpayers Social Security number. Notices from the Internal Revenue Service will inform taxpayers the amount of their check and when they should expect it have been mailed. Single taxpayers will get a check up to $300, head of household up to $500 and married couples filing jointly will get up to $600.

Because the Social Security number determines when checks are mailed, taxpayers may receive their checks at different times than their neighbors or other family members. On a joint return, the first number listed will set the mailout time.

If the last two digits of your Social Security number are:	**You should receive your check the week of:**
00 - 09	July 23
10 - 19	July 30
20 - 29	August 6
30 - 39	August 13
40 - 49	August 20
50 - 59	August 27
60 - 69	September 3
70 - 79	September 10
80 - 89	September 17
90 - 99	September 24

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EMBARGOED UNTIL 2:30 P.M.
August 23, 2001

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 $28,000 million to refund $31,356 million of publicly held 13-, 26-, and 52-week bills maturing August 30, 2001, and to pay down approximately $3,356 million. There are also $10,000 million of publicly held maturing 4-week bills, the disposition of which will be announced Monday, August 27, 2001.

In addition to the public holdings, Federal Reserve Banks for their own accounts hold $12,845 million of the maturing bills, which may be refunded at the highest discount rate of accepted competitive tenders in these auctions or the 4-week bill auction to be held Tuesday, August 28, 2001. Amounts awarded to these accounts will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of each auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers have requested that we reinvest their maturing holdings of approximately $1,019 million into the 13-week bill and $929 million into the 26-week bill.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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.

PO-573

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Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED AUGUST 30, 2001

August 23, 2001

Offering Amount	$15,000 million	$13,000 million
Public Offering	$15,000 million	$13,000 million

Description of Offering:

Term and type of security	91-day bill	182-day bill
CUSIP number	912795 HM 6	912795 HJ 3
Auction date	August 27, 2001	August 27, 2001
Issue date	August 30, 2001	August 30, 2001
Maturity date	November 29, 2001	February 28, 2002
Original issue date	November 30, 2000	March 01, 2001
Currently outstanding	$26,367 million	$12,763 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 million at the highest discount rate of accepted competitive bids.

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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 Rate ....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
August 23, 2001

PUBLIC CONTACT: Office of Financing
202-691-3550
MEDIA CONTACT: Office of Public Affairs
202-622-2960

TREASURY DEBT BUYBACK OPERATION RESULTS

Today, Treasury completed a debt buyback (redemption) operation for $1,750 million par of its outstanding issues. A total of 12 issues maturing between February 2019 and February 2023 were eligible for this operation. The settlement date for this operation will be August 27, 2001. Summary results of this operation are presented below.

(amounts in millions)

Offers Received (Par Amount):	$6,764
Offers Accepted (Par Amount):	1,750
Total Price Paid for Issues (Less Accrued Interest):	2,364
Number of Issues Eligible:	
For Operation:	12
For Which Offers were Accepted:	10
Weighted Average Yield of all Accepted Offers (%):	5.490
Weighted Average Maturity for all Accepted Securities (in years):	18.4

Details for each issue accompany this release.

0-574

August 23, 2001

TREASURY DEBT BUYBACK OPERATION RESULTS

(amounts in millions, prices in decimals)

Table I

Coupon Rate (%)	Maturity Date	Par Amount Offered	Par Amount Accepted	Highest Accepted Price	Weighted Average Accepted Price
8.875	02/15/2019	1,317	1,014	138.000	137.953
8.125	08/15/2019	481	80	129.843	129.834
8.500	02/15/2020	162	27	134.609	134.568
8.750	05/15/2020	344	10	137.765	137.765
8.750	08/15/2020	777	211	138.015	137.993
7.875	02/15/2021	182	0	N/A	N/A
8.125	05/15/2021	496	25	131.117	131.117
8.125	08/15/2021	711	50	131.312	131.297
8.000	11/15/2021	1,169	200	129.976	129.960
7.250	08/15/2022	143	0	N/A	N/A
7.625	11/15/2022	527	37	126.000	125.991
7.125	02/15/2023	456	96	119.796	119.761

Table II

Coupon Rate (%)	Maturity Date	CUSIP Number	Lowest Accepted Yield	Weighted Average Accepted Yield	Par Amount Privately Held*
8.875	02/15/2019	912810EC8	5.470	5.473	11,372
8.125	08/15/2019	912810ED6	5.491	5.492	16,476
8.500	02/15/2020	912810EE4	5.493	5.497	8,295
8.750	05/15/2020	912810EF1	5.494	5.494	6,556
8.750	08/15/2020	912810EG9	5.497	5.498	15,181
7.875	02/15/2021	912810EH7	N/A	N/A	9,111
8.125	05/15/2021	912810EJ3	5.515	5.515	8,601
8.125	08/15/2021	912810EK0	5.518	5.519	8,409
8.000	11/15/2021	912810EL8	5.520	5.521	27,034
7.250	08/15/2022	912810EM6	N/A	N/A	9,250
7.625	11/15/2022	912810EN4	5.528	5.529	6,146
7.125	02/15/2023	912810EP9	5.537	5.540	13,567

Total Par Amount Offered: 6,764

Total Par Amount Accepted: 1,750

Note: Due to rounding, details may not add to totals.

*Amount outstanding after operation. Calculated using amounts reported on announcement.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED FOR 9:30 PM
August 24, 2001

Contact: Tasia Scolinos
(202) 622-2960

Treasury Under Secretary for Enforcement Jimmy Gurulé Addresses the Hispanic American Police Commanders Association

Good evening, it is an honor to be here tonight to address the Hispanic American Police Commanders Association. I am especially pleased to be here in my new role as Treasury's Under Secretary for Enforcement. It is especially appropriate that my first speech as Under Secretary is before HAPCOA because I believe that Hispanic law enforcement has played a unique and pivotal role over the course of my career. When I was thinking about what I wanted to say tonight two experiences kept coming to the forefront of my mind. I would like to share both of those stories with you tonight.

I was fortunate enough to land at the Department of Justice as a prosecutor upon my graduation from law school. There was an acute shortage of lawyers, judges, and other law enforcement personnel in the city of Miami due to a high volume of narcotics cases that were being processed through the system there at the time. It was during this climate that the Justice Department assigned me to Miami as a young prosecutor. I had only been on the job for a few weeks when a young Hispanic ATF agent came to see me. He was involved in an undercover operation at the time involving the sale of drugs for guns. As many of you in this room know, there are specific legal requirements that must be in place before an undercover operation can proceed. The agent and I discussed different ways of structuring the undercover investigation that he was embarking on to ensure that it was within the scope of the law. Time went on and I slowly lost track of the ATF agent and his investigation. Some time later I was transferred out of Miami and shortly upon entering my new post heard a tragic story about a young Hispanic ATF agent. The agent had been working undercover when the operation somehow went awry and the cartel discovered his true identity. I was deeply saddened to learn that the agent murdered by the drug cartel was the same young Hispanic agent I had worked with when I was in Miami. It is fitting that today ATF headquarters in Washington is housed in a building named in honor of that young Hispanic agent who lost his life in the line of duty -- Agent Ariel Rios.

This incident was a turning point for me as a prosecutor in that it caused me to appreciate first hand the daily sacrifices involved with being a law enforcement officer. As my career progressed I worked with several different law enforcement agents -- the sacrifice that Agent

PO-575

Rios made in the war against drugs and violence was never far from my mind in my dealings with them. As most of you know, in my new role as Under Secretary for Enforcement I am tasked with providing policy guidance and oversight to the Bureau of Alcohol, Tobacco and Firearms among the other Treasury law enforcement components. It is a special privilege for me to be able to do that given the respect and gratitude I feel for federal agents like Ariel Rios who have made the ultimate sacrifice for his country and his community. It is my goal as Under Secretary to convey to our law enforcement agents around the country that their sacrifices are appreciated and valued by both the United States government and the citizens of this country.

The second experience took place when I was an Assistant U.S. Attorney in Los Angeles during the mid-eighties. One of my prosecutor colleagues and a DEA agent came to talk to me about a case involving the torture-murder of a DEA agent. During the three hours that we spent together I heard the details of the agent's story – about how he was about to be transferred from Guadalajara to San Diego when he was killed. About how he was en route to meet his wife for lunch to discuss the details of the move when he was kidnapped in broad daylight by members of one of the drug cartels and local police officers. This meeting was just the beginning of my involvement with the DEA agent's case. Little did I know that my involvement with his case would become life changing for me. I invested three years of my legal career in that investigation and ultimately was the lead trial attorney in the first murder trial which resulted in the conviction of the three defendants for the kidnapping, torture and murder of DEA agent Enrique ("Kiki) Camarena. For the second time in my career, I was faced with a Hispanic federal law enforcement agent who made the ultimate sacrifice for his country and the safety of its citizens.

Now that you all know a little bit more about me and my previous interactions with Hispanic law enforcement agents, you can understand what an honor it is for me to be able to be with you all tonight.

I do want to talk a little bit about the role of Under Secretary for Enforcement at the Treasury Department and outline what I hope to accomplish during my tenure there. First, I need to begin by saying that I am grateful to President Bush and Secretary O'Neill for the opportunity to serve at the Treasury Department as Under Secretary for Enforcement. As I mentioned earlier, I have the privilege of overseeing Treasury's law enforcement bureaus and offices -- the U.S. Customs Service, U.S. Secret Service, Bureau of Alcohol, Tobacco and Firearms, Federal Law Enforcement Training Center, Financial Crimes Enforcement Network, and the Office of Foreign Assets Control. In addition, my office provides policy guidance to Internal Revenue Service – Criminal Investigation. Together, these bureaus and offices have both enforcement and regulatory missions, employ over 33,000 people, and have a budget in excess of $4 billion.

The breadth of their jurisdictions is equally impressive. Treasury law enforcement protects our borders and our President. We enforce U.S. sanctions and the tax laws. We combat money laundering and reduce gun violence.

The United States Customs Service

With its unique border search authority, Customs investigates a wide range of crimes, including trafficking in drugs, child pornography, and weapons of mass destruction, customs frauds, and money laundering. Customs has also established the Cyber Smuggling Center to protect our electronic border. At the Cyber Smuggling Center, Customs brings together all of its assets dedicated to the investigation of international crime conducted on or facilitated by the Internet.

The United States Secret Service

The Secret Service's mission extends far beyond protecting our leaders. They continue to pursue their original mission -- combating counterfeit currency. They also investigate credit card and access device fraud as well as identity theft. In addition, the Secret Service, working with other federal, state and local agencies, is planning the security for the upcoming IMF/World Bank meeting to be held in October 2001 in Washington, D.C. and the 2002 Winter Olympics in Salt Lake City.

Bureau of Alcohol, Tobacco and Firearms

Treasury is also home to the Bureau of Alcohol, Tobacco and Firearms (ATF). ATF's top priority is protecting our communities from violent crime. In addition to its firearms enforcement efforts, ATF also has expertise in bombings and arsons. ATF's four National Response Teams (NRT) are the only national teams that respond to explosives and arson incidents. ATF has made significant contributions to the investigation of the bombings at the Atlanta Olympics, Oklahoma City's Murrah Federal Building, and New York's World Trade Center.

Federal Law Enforcement Training Center

The Treasury law enforcement bureau this audience may be most familiar with is the Federal Law Enforcement Training Center. Many of you have spent time at FLETC's facilities. In fact, FLETC trains more than 20,000 students a year from more than 70 federal participating organizations. In addition, in response to growing concerns about international crime, FLETC has entered into an arrangement with the State Department to provide specialized training for foreign law enforcement agencies, and conducts training at the International Law Enforcement Academies (ILEAs) in Budapest, Hungary, and Bangkok, Thailand.

Financial Crimes Enforcement Network

As the guardian of the nation's financial system, one of Treasury's top law enforcement priorities is preventing and detecting money laundering. FinCEN aids in this fight against money laundering with regulatory, enforcement, and international initiatives.

OFAC

The Office of Foreign Assets Control is responsible for implementing sanctions against nations determined to be a threat to the national security, economy or foreign policy of the United States, pursuant to the International Emergency Economic Powers Act (IEEPA), including sanctions aimed at terrorists and narcotics kingpins.

Although the Treasury bureaus have a broad law enforcement mission, I plan to focus my efforts on three areas in particular: enhancing counter-money laundering efforts, improving cooperation with Mexico, and maintaining public trust.

Money Laundering

Law enforcement faces enormous challenges in its efforts to combat money laundering. Money laundering is often committed by professionals such as lawyers, bankers, and accountants, who develop ingenious schemes to conceal the movement of criminal proceeds and create the appearance that they are derived from legitimate sources. Complicating matters is the fact that increasingly money laundering is a problem of global concern. Criminals target foreign jurisdictions with liberal bank secrecy laws and weak anti-money laundering regulatory regimes as they transfer illicit funds through domestic and international financial institutions often with the speed and ease of faceless Internet transactions. The international nature of money laundering requires international law enforcement cooperation to successfully investigate and prosecute those that instigate these complex criminal schemes.

To respond to the money laundering threat, the Treasury Department is statutorily required to develop, in cooperation with other agencies, an annual *National Money Laundering Strategy*. In keeping with the Administration's policies, this year's *Strategy* will respond to the challenges of anti-money laundering enforcement by providing a comprehensive plan to disrupt and dismantle criminal enterprises and prosecute professional money launderers through aggressive enforcement, measured accountability, preventative efforts, and enhanced coordination. We are currently in the process of putting the final touches on the *Strategy*, and we expect to release it in September.

I believe that it is critical to focus law enforcement's efforts on the prosecution of major money laundering organizations and systems. Federal efforts must be allocated where they can do the most good -- in high-risk areas -- and target major money laundering systems. Moreover, effective money laundering enforcement requires us to use all available statutory authorities. Prosecuting money launderers and other criminals is not enough. We must strip criminals of their ill-gotten gains and dismantle criminal organizations by attacking their financial base through aggressive, appropriate use of forfeiture.

Focusing our domestic attack, however, will not -- on its own -- be enough. Drug traffickers and other criminal organizations will continue to search for the path of least resistance to launder their money. Thus, no country's individual efforts -- whether in the legal, regulatory, or law enforcement arena -- will be sufficient given the relative ease with which money flows across borders.

In this regard, important strides have been made through multilateral initiatives. Chief among those has been the work of the Financial Action Task Force, or "FATF", an independent international body with twenty-nine member countries. When FATF listed fifteen jurisdictions as non-cooperative in the fight against money laundering in June 2000, it marked a milestone in our international effort. The FATF listing focused attention on the issue and for many of those named countries, it turned their attention into productive actions to address the deficiencies that the FATF identified.

As we work at home and abroad to enhance our counter-money laundering efforts, we must be able to measure the effectiveness of those efforts so that we can be fully accountable to the American people. Our focus must be on results not merely enforcement activities. We have to do better, and we will do better, in measuring the results of our anti-money laundering activity.

Mexico

An important international partner in our efforts to combat money laundering as well as its predicate crimes will be the Government of Mexico. Indeed, I agree with the Attorney General's assessment that we have no more important law enforcement relationship than our relationship with Mexico. The importance of this relationship is reflected in President Bush's decision to have President Fox be the guest of honor at his first state dinner in September.

I believe that we have a unique opportunity to improve our relationship with Mexican law enforcement, providing a real benefit to the American public. Close cooperation with Mexico will enable us to better attack drug trafficking, money laundering, and other crimes. As a Hispanic of Mexican descent, I am personally very passionate about the possibility of making communities on both sides of the border safer through ongoing cooperation and open dialogue.

One area where we have recently made progress is in fighting gun violence. For some time, Mexico has expressed concern about the illegal trafficking of firearms into Mexico from the United States. Keeping guns out of the hands of criminals is a priority for both governments.

During his recent visit to Mexico, Attorney General Ashcroft announced a program to work with our Mexican partners to combat the problem of illegal firearms trafficking into Mexico. As the Attorney General noted at the time, ATF will play a critical role in this effort. Specifically, we have agreed that when guns of suspected U.S. origin are seized in Mexico, the Mexican authorities will provide the technical information concerning the gun - make, model, serial number - to ATF. ATF then will work to trace the weapon, and provide timely feedback to Mexican authorities. U.S. and Mexican agents will then work closely together to fully support any resulting investigations. ATF and Customs are currently executing an initial "pulse and surge" operation – Operation Windfall – to test the concept.

Importantly, Attorney Generals Ashcroft and Macedo de la Concha have committed to dedicate the prosecutors needed to pursue any resulting cases and bring them to successful conclusion. We will continue to work with our colleagues at the Department of Justice as well as our Mexican partners to address this issue.

Law Enforcement and Public Trust

Finally, I want to close my remarks today by expressing my concern over the decreasing level of trust the public expresses for law enforcement. When I was a prosecutor in Los Angeles several years ago, if you put a law enforcement officer on the witness stand he was cloaked with the presumption of truth. Today, sadly, in many communities this is no longer the case. Allegations of mismanagement at a leading law enforcement agency, charges of state and local police departments engaging in racial profiling, and the excessive use of force by some law enforcement personnel has shaken the public's confidence and trust in law enforcement. Unfortunately the actions of a few have tainted the reputation of good, honest and hard working law enforcement officers who are dedicated to their work.

Without the confidence of the communities we serve, we cannot effectively do our jobs. As Under Secretary of the Treasury for Enforcement, my highest priority is maintaining and strengthening our relationship with the American people. But more than that, my goal is for Treasury agencies to serve as an example for all of law enforcement.

I believe that the Customs Service's response to public concerns regarding its personal search procedures is a useful example. When allegations were made that some Customs Service officers were selecting passengers for personal search based on race or gender, the Customs Service responded quickly and appropriately. By doing so, Customs was able to take control of the issue and turn it into an opportunity for the Customs Service to do its mission even more effectively. Just as importantly, its quick response ensured that the Customs Service retained the confidence of the traveling public.

The results have been impressive. The Customs Service is searching fewer people and seizing more drugs. The statistics indicate that Customs is searching fewer innocent travelers of all races and genders, while doing a better job of catching those carrying contraband. As Under Secretary, I am committed to ensuring that Treasury law enforcement continues to be responsive to the American public.

There are approximately 740,000 sworn law enforcement officers currently serving in the United States. Every day you courageously serve and protect the safety and welfare of all Americans. You are motivated by your own personal sense of good will and responsibility and not by a desire for praise, recognition, or glory.

Oftentimes the general public is unaware of the enormous risks that you take every day. Since the first recorded police death in 1794, there have been more than 15,000 law enforcement officers killed in the line of duty in the United States.

In the past 10 years alone, over 1,500 law enforcement officers have died in the line of duty. These fallen officers leave behind wives, children, other family members, and friends as a result of their dedication to law enforcement and to the public they serve.

As I serve at the Department of the Treasury as the Under Secretary of Enforcement I aim to honor the memories of officers like "Kiki" and Ariel not just on occasions such as today, but every day. I will never forget these officers who made the ultimate sacrifice with their lives in service to the people of this great Nation.

I want to thank all of you here tonight and HOPCOA for inviting me to speak to you tonight, I am truly honored. I know that all of you here today make tremendous sacrifices, at times you may feel under appreciated and I want to leave with this, "Thank you". "Gracias" for making our communities safer places to live. You are all American heroes and Secretary O'Neill joins me in thanking you for all that you do in service of your community and your country. The President of the United States, George W. Bush is also well aware of the sacrifices and responsibilities that you and your families take on. Please know that you are in their thoughts and prayers and on their behalf I'd like to thank you. Muchisimas gracias. Que dios te bendiga. May God Bless You.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMEDIATE RELEASE
August 27, 2001

Contact: Office of Public Affairs
(202) 622-2960

MEDIA ADVISORY

Treasury Under Secretary for Enforcement Jimmy Gurulé will tour the Port of Otay Mesa, East Cargo Lot, North Dock Area in San Diego, CA on Tuesday, August 28, 2001, 11:30 a.m., PST. As a newly confirmed appointee, Mr. Gurulé will be the first Treasury Department official of the new Administration to visit the Southwest border. Mr. Gurulé will be touring and talking with inspectors at both San Ysidro and Otay Mesa. After touring the Otay Mesa facility, he will be available for a few minutes to answer questions from the press.

For additional information about the event, please contact Tasia Scolinos of Treasury Public Affairs on (949) 278-7892 or Vince Bond of the U.S. Customs Public Affairs on (619) 557-5772.

-30-

PO-576

*U.S. Government Printing Office: 1998 - 619-559

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 11:30 A.M.
August 27, 2001

Contact: Office of Financing
202/691-3550

TREASURY OFFERS 4-WEEK BILLS

The Treasury will auction $14,000 million of 4-week Treasury bills to refund an estimated $10,000 million of publicly held 4-week Treasury bills maturing August 30, 2001, and to raise new cash of approximately $4,000 million.

Tenders for 4-week Treasury bills to be held on the book-entry records of *TreasuryDirect* will <u>not</u> be accepted.

The Federal Reserve System holds $12,845 million of the Treasury bills maturing on August 30, 2001, in the System Open Market Account (SOMA). This amount may be refunded at the highest discount rate of accepted competitive tenders in this auction up to the balance of the amount not awarded in today's 13-week and 26-week Treasury bill auctions. Amounts awarded to the SOMA account will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of the auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

<u>Note: Competitive bidders in 4-week bill auctions will be required to report their net long position (NLP), if they meet or exceed the reporting threshold. However, Treasury will not include NLPs in the calculation of award limits for those bidders</u>.

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

PO-577

HIGHLIGHTS OF TREASURY OFFERING
OF 4-WEEK BILLS TO BE ISSUED AUGUST 30, 2001

August 27, 2001

Offering Amount ....$14,000 million
Public Offering ....$14,000 million

Description of Offering:
Term and type of security ....28-day bill
CUSIP number ....912795 HQ 7
Auction date ....August 28, 2001
Issue date ....August 30, 2001
Maturity date ....September 27, 2001
Original issue date ....March 29, 2001
Currently outstanding ....$32,366 million
Minimum bid amount and multiples $1,000

Submission of Bids:
Noncompetitive bids: Accepted in full up to $1 million at the highest discount rate of accepted competitive bids.
Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.
Competitive bids:
(1) Must be expressed as a discount rate with three decimals in increments of .005%, e.g., 4.215%.
(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 Rate...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.

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
August 27, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	August 30, 2001
Maturity Date:	November 29, 2001
CUSIP Number:	912795HM6

High Rate: 3.350% Investment Rate 1/: 3.426% Price: 99.153

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 70.62%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 31,235,255	$ 13,495,745
Noncompetitive	1,391,905	1,391,905
FIMA (noncompetitive)	112,400	112,400
SUBTOTAL	32,739,560	15,000,050 2/
Federal Reserve	6,852,387	6,852,387
TOTAL	$ 39,591,947	$ 21,852,437

Median rate 3.330%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.300%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 32,739,560 / 15,000,050 = 2.18

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,119,255,000

PO-578

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
August 27, 2001

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	August 30, 2001
Maturity Date:	February 28, 2002
CUSIP Number:	912795HJ3

High Rate: 3.290% Investment Rate 1/: 3.392% Price: 98.337

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 28.41%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 26,096,567	$ 11,548,302
Noncompetitive	1,330,822	1,330,822
FIMA (noncompetitive)	120,900	120,900
SUBTOTAL	27,548,289	13,000,024 2/
Federal Reserve	4,942,147	4,942,147
TOTAL	$ 32,490,436	$ 17,942,171

Median rate 3.270%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 3.210%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 27,548,289 / 13,000,024 = 2.12

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $989,425,000

http://www.publicdebt.treas.gov

PO-579

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the week ending August 24, 2001. As indicated in this table, U.S. reserve assets totaled $67,857 million as of August 24, 2001, down from $67,938 million as of August 17, 2001.

(in US millions)

I. Official U.S. Reserve Assets	August 17, 2001			August 24, 2001		
TOTAL	67,938			67,857		
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	5,562	10,949	16,511	5,526	10,971	16,498
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	9,366	4,741	14,106	9,323	4,750	14,074
b.ii. Banks headquartered in the U.S.			0			0
b.ii. Of which, banks located abroad			0			0
b.iii. Banks headquartered outside the U.S.			0			0
b.iii. Of which, banks located in the U.S.			0			0
2. IMF Reserve Position [2]			15,407			*15,386*
3. Special Drawing Rights (SDRs) [2]			10,871			*10,856*
4. Gold Stock [3]			11,044			11,044
5. Other Reserve Assets			0			0

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The IMF data for August 17 are final. The entries in the table above for August 24 (shown in italics) reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce. Values shown are as of July 31, 2001. The June 30, 2001 value was $11,044 million.

U.S. International Reserve Position (cont'd)

II. Predetermined Short-Term Drains on Foreign Currency Assets

	August 17, 2001	August 24, 2001
1. Foreign currency loans and securities	0	0
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the U.S. dollar:		
2.a. Short positions	0	0
2.b. Long positions	0	0
3. Other	0	0

III. Contingent Short-Term Net Drains on Foreign Currency Assets

	August 17, 2001	August 24, 2001
1. Contingent liabilities in foreign currency	0	0
1.a. Collateral guarantees on debt due within 1 year		
1.b. Other contingent liabilities		
2. Foreign currency securities with embedded options	0	0
3. Undrawn, unconditional credit lines	0	0
3.a. With other central banks		
3.b. With banks and other financial institutions headquartered in the U.S.		
3.c. With banks and other financial institutions headquartered outside the U.S.		
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the U.S. dollar	0	0
4.a. Short positions		
4.a.1. Bought puts		
4.a.2. Written calls		
4.b. Long positions		
4.b.1. Bought calls		
4.b.2. Written puts		

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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For Immediate Release
August 30, 2001

Contact: Tara Bradshaw
(202) 622-2014

WEEK SEVEN: TREASURY TO MAIL OUT 8.314 MILLION CHECKS ON FRIDAY

Tomorrow the Treasury Department will send out 8.314 million advance payment checks to taxpayers for more than $3.527 billion in tax relief. These checks will be sent to taxpayers whose last two digits of their Social Security numbers are 60-69.

Week Six (August 31) Social Security Numbers 60-69
Number of Checks 8.314 million
Amount of Relief $3.527 billion

Week Six (August 24) Social Security Numbers 50-59
Number of Checks 8.266 million
Amount of Relief $3.550 billion

Week Five (August 17) Social Security Numbers 40-49
Number of Checks 8.219 million
Amount of Relief $3.483 billion

Week Four (August 10) Social Security Numbers 30-39
Number of Checks 8.210 million
Amount of Relief $3.467 billion

Week Three (August 3) Social Security Numbers 20-29
Number of Checks 8.185 million
Amount of Relief $3.468 billion

Week Two (July 27) Social Security Numbers 10-19
Number of Checks 8.133 million
Amount of Relief $3.443 billion

PO-581

Week One (July 20) Social Security Numbers 00-09
Number of Checks 7.908 million
Amount of Relief $3.336 billion

Seven Week Total
Number of Checks 57.235 million
Amount of Relief $24.274 billion

The Treasury Department will announce every week the number of checks that are being mailed out for that week, and the amount of tax relief that is being sent to taxpayers. Checks will be mailed over a ten-week period, according to the last two digits of the taxpayers Social Security number. Notices from the Internal Revenue Service will inform taxpayers the amount of their check and when they should expect it have been mailed. Single taxpayers will get a check up to $300, head of household up to $500 and married couples filing jointly will get up to $600.

Because the Social Security number determines when checks are mailed, taxpayers may receive their checks at different times than their neighbors or other family members. On a joint return, the first number listed will set the mailout time.

If the last two digits of your Social Security number are:	**You should receive your check the week of:**
00 - 09	July 23
10 - 19	July 30
20 - 29	August 6
30 - 39	August 13
40 - 49	August 20
50 - 59	August 27
60 - 69	September 3
70 - 79	September 10
80 - 89	September 17
90 - 99	September 24

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL 2:30 P.M.
August 30, 2001

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 13-WEEK AND 26-WEEK BILLS

The Treasury will auction 13-week and 26-week Treasury bills totaling $27,000 million to refund an estimated $22,407 million of publicly held 13-week and 26-week Treasury bills maturing September 6, 2001, and to raise new cash of approximately $4,593 million. Also maturing is an estimated $10,000 million of publicly held 4-week Treasury bills, the disposition of which will be announced September 4, 2001.

The Federal Reserve System holds $11,634 million of the Treasury bills maturing on September 6, 2001, in the System Open Market Account (SOMA). This amount may be refunded at the highest discount rate of accepted competitive tenders either in these auctions or the 4-week Treasury bill auction to be held September 5, 2001. Amounts awarded to SOMA will be in addition to the offering amount.

Up to $1,000 million in noncompetitive bids from Foreign and International Monetary Authority (FIMA) accounts bidding through the Federal Reserve Bank of New York will be included within the offering amount of each auction. These noncompetitive bids will have a limit of $200 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

TreasuryDirect customers have requested that we reinvest their maturing holdings of approximately $991 million into the 13-week bill and $735 million into the 26-week bill.

The allocation percentage applied to bids awarded at the highest discount rate will be rounded up to the next hundredth of a whole percentage point, e.g., 17.13%.

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
PO-583

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED SEPTEMBER 6, 2001

August 30, 2001

Offering Amount	$14,000 million	$13,000 million
Public Offering	$14,000 million	$13,000 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912795 GU 9	912795 JJ 1
Auction date	September 4, 2001	September 4, 2001
Issue date	September 6, 2001	September 6, 2001
Maturity date	December 6, 2001	March 7, 2002
Original issue date	June 7, 2001	September 6, 2001
Currently outstanding	$15,644 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 million at the highest discount rate of accepted competitive bids.

Foreign and International Monetary Authority (FIMA) bids: Noncompetitive bids submitted through the Federal Reserve Banks as agents for FIMA accounts. Accepted in order of size from smallest to largest with no more than $200 million awarded per account. The total noncompetitive amount awarded to Federal Reserve Banks as agents for FIMA accounts will not exceed $1,000 million. A single bid that would cause the limit to be exceeded will be partially accepted in the amount that brings the aggregate award total to the $1,000 million limit. However, if there are two or more bids of equal amounts that would cause the limit to be exceeded, each will be prorated to avoid exceeding the limit.

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 Rate ....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
OFFICE OF PUBLIC AFFAIRS

For Immediate Release
August 31, 2001

Contact: Rob Nichols
202-622-2910

TREASURY DEPUTY SECRETARY KEN DAM TO INDIA, KOREA AND JAPAN

Deputy U.S. Treasury Secretary Ken Dam will travel to India, Korea and Japan on September 11-23. Deputy Secretary Dam will meet with a wide array of senior government officials and private sector political, financial and economic experts to discuss trade, investment and a range of steps supportive of strong economic growth.

A detailed schedule of Deputy Secretary Dam's trip will be released September 10th.

-30-

PO-584