Department of the Treasury

PRESS RELEASES

The following numbers were not used:

JS-343 to JS-349
JS-425

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 1, 2003
JS-342

Statement of Treasury Assistant Secretary for Financial Institutions Wayne A. Abernathy on Increasing Competition for Remittance Services

I applaud Citibank's announcement that it has reduced its remittance fees for account-holders to send money to Mexico. Mexican-Americans send an estimated $10 billion back to family members in Mexico each year. The increasing competition among financial institutions - and resulting lower fees - will benefit these families significantly.

Through the benefits of NAFTA and other agreements that we have with Mexico, mainstream financial institutions are playing an increasing role in making these transfers in a safer way and at lower cost. As part of Partnership for Prosperity, the Treasury continues to encourage such progress, and recent fee-reduction announcements by financial institutions is a positive step toward achieving our goals.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 5, 2003
JS-350

U.S. Governor's Address to the European Bank for Reconstruction and Development 2003 Annual Meeting in Tashkent, Uzbekistan

President Lemierre, Secretary of State Short, fellow Governors, your Excellencies, ladies and gentlemen. The United States continues its strong interest in sustained economic growth and the creation of high-productivity jobs by the private sector in the EBRD's countries of operation. Creating an environment where businesses create jobs for people is the key to poverty reduction and rising living standards. The EBRD's role is particularly critical for Central Asia given the need to catalyze the private sector. Real progress on regional integration is key to unlocking the region's untapped potential.

As we meet to discuss the EBRD and its region, we cannot help reflecting as well on the contemporary challenges of Iraqi reconstruction and the war against terrorism. Our hope is that a free Iraq will embark on the same kind of transformation to democracy and free markets as many of EBRD's countries. Promoting stable, market economies is also part of the war on terrorism. As President Bush has said, "Persistent poverty and oppression can lead to hopelessness and despair. And when governments fail to meet the most basic needs of their people, these failed states can become havens for terror." The global war on terrorism is removing barriers to prosperity and poverty reduction.

The experience of the transition economies and the EBRD itself provides a basis for optimism for countries that heed the lessons of the last 12 years of transition. Growth in this region has picked up dramatically. This past year the average growth was 4.1 percent and output has increased in every country for the past three years, with the single exception of Macedonia in 2001.

The advanced transition countries of Central Europe and the Baltics have demonstrated that strong, consistent implementation of economic reform and democracy, aided by the prospect of global integration, can create self-sustaining growth. These countries are well on the road to successful transition and should be candidates for graduation in the near-term. The success of the advanced countries enables the EBRD to focus on opportunities in countries to the South and East, where the challenges remain formidable.

The experience of Russia and Ukraine over the past few years demonstrates that attacking key investment disincentives, agricultural reform in Ukraine or tax reform in Russia, can catalyze a dramatic private sector supply response. The challenge is to undertake other critical private investment-promoting structural reforms – both at the policy and corporate levels -- necessary to underpin sustained and more broad-based growth. The EBRD has an important role to play here, just as it did in the Central European economies in the 90's.

The experience of oil and gas producing countries, including those in Central Asia, is that fiscal transparency and accountability are essential to ensuring that natural resource wealth is translated into growth, poverty reduction and macroeconomic stability. Kazakhstan and Azerbaijan's oil funds, while relatively new, can be effective tools for achieving these goals.

Among the key lessons for the smaller transition economies is the need to establish the appropriate policies and institutions to take advantage of new trade opportunities. Armenia is a good example of a country committed to opening its economy through WTO membership and by further reducing trade barriers. It has achieved high rates of growth in recent years through expanding exports, despite few natural resources and difficult relations with some neighbors.

The recent history of the Balkans demonstrates the linkage between regional integration and economic transition. With the downfall of Milosevic and the creation of Serbia and Montenegro, the missing piece of the regional puzzle has been put in place and the restoration of regional ties begun. The recent assassination of Serbian Prime Minister Djindjic is a tragic reminder that criminal and terrorist forces still threaten the stability and trade relations. The global war on terrorism is overcoming these negative forces that prevent people from trading and prospering.

The potential benefits of regional economic integration are especially relevant for Central Asia. Geography, natural resources and history all point to the logic of a unified, liberalized market that can reestablish the region's role as a trading center and attract outside investment. I will be participating in a meeting on Tuesday in the Kyrgyz Republic on regional cooperation, which I hope will result in agreement on some concrete steps toward that goal. Uzbekistan's central location, resources and large population compel it to lead in creating a functioning trade market in Central Asia. We are hopeful that contradictory polices – moving ahead on liberalizing the exchange market while restricting trade -- will give way to a consistent, comprehensive program of economic liberalization. As Uzbekistan's friend, the U.S. will strongly support such a program through the International Financial Institutions and our bilateral assistance.

We also have learned that the most dynamic sector of any economy, if properly nurtured, is small business. In early transition countries, the EBRD has shown its ability to help build economies and democracies from the ground up through micro and SME lending. I am looking forward to visiting such projects tomorrow, entrepreneurs who are creating jobs for people with the help of a local bank supported by the EBRD. We would like to see EBRD further expand its own financing of micro and SMEs and through the Direct Investment Facility.

Finally, but hardly least important, the EBRD's mandate prominently recognizes the importance of both economic and political reforms. EBRD has shown leadership in upholding the principles of multiparty democracy, pluralism, and market economics, including in the country strategies for Belarus, Turkmenistan, and Uzbekistan. A sign of the importance of these seminal values is the attendance of independent NGOs, human rights groups, media, and other interested people at this annual meeting. Uzbekistan has much to gain by implementing democratic and economic reforms and respecting human rights and freedoms based on the universally recognized principles and norms of international law. The Government of Uzbekistan recently renewed its commitment under our governments' joint "Declaration on the Strategic Partnership and Cooperation Framework" and the U.S. looks forward to Uzbekistan fully meeting those commitments to economic and democratic reforms and respect for human rights.

Beyond EBRD's core work, EBRD as a public institution must pursue institutional governance policies that demonstrate accountability and transparency and provide assurance that its financing is used in an effective manner. We hope EBRD shareholders will support more progressive standards during future reviews of key governance policies recently discussed in the Board. We are disappointed that most shareholders recently agreed to fairly modest approaches relative to what they have pushed in the Boards of other Multilateral Development Banks. We believe that the new public information policy and independent recourse mechanism should be improved to provide greater disclosure, independence, and scope.

We applaud the EBRD's work thus far to measure performance at the project level, and encourage efforts to improve upon and systematize the measurement of project results. We are pleased with the introduction of the new Transition Impact Monitoring System, and are hopeful this system will build the institutional capacity to produce measurable results.

In another aspect of governance, the Board of Governors has taken a decision that weakens its oversight and authority by approving a resolution that would allow the remuneration committee to approve future inflation-indexed increases in compensation for Executive Directors. We believe these multi-year, essentially automatic increases should be reconsidered and rejected.

Looking ahead, EBRD must seek to maximize transition impact and promote reform where it is most needed. We look forward to an increasing focus on countries in the early stage of transition is imperative if the Bank is to achieve its overall mission, and a continuing emphasis on the nurturing of small and medium sized businesses is essential to the long-run prospects for economic growth, job creation, and reform.

There is much work to do right here in Central Asia, and we look forward to greater Bank involvement in this region and continuing success in all countries of operations. We are fortunate to have President Lemierre's sound judgment and effective leadership and are confident in his ability to help the Bank face the challenging times ahead.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 5, 2003
JS-351

MEDIA ADVISORY
U.S. Treasurer Marin Will Demonstrate
New Remittance Option that allows people to construct homes
at Tuesday Event

As part of her ongoing leadership in the U.S./Mexico Partnership for Prosperity initiative, U.S. Treasurer Rosario Marin on Tuesday will highlight new competitive and innovative ways that people in the United States can send money to family members and friends in Mexico maximizing the utility of the money sent. The event will take place at CEMEX Offices 10:30 a.m. on Tuesday Huntington Park 7138 Pacific Blvd. Huntington Park, CA 90255

The event is hosted by the NAFINCIN and CEMEX will take place in Huntington Park, California. CEMEX was selected by the Partnership for Prosperity as one of several businesses including other financial institutions including banks and credit unions that are offering competitive, low-cost ways to send money to Mexico.

Each year, Mexicans and Mexican-Americans send a total of more than $9 billion to family and friends in Mexico. The average remittance is $200-$250. However, fees for those remittances can be as high as 20%.
The U.S./Mexico Partnership for Prosperity initiative – a joint effort created by President George W. Bush and Mexican President Vicente Fox – seeks to leverage private sector resources to promote development in the parts of Mexico where growth has lagged and fueled migration.

Partnership for Prosperity is working to promote competition among financial institutions offering remittance services. Greater competition will lower the cost to consumers of sending money home to households and regional economies in Mexico that need it most.

Rosario Marin, the highest-ranking Latina in the Bush Administration, was sworn in as the 41st Treasurer of the United States on Aug. 16, 2001. Born in Mexico City before immigrating to the United States at age 14, Treasurer Marin is the first U.S. Treasurer born outside of the country.

PRESS ROOM

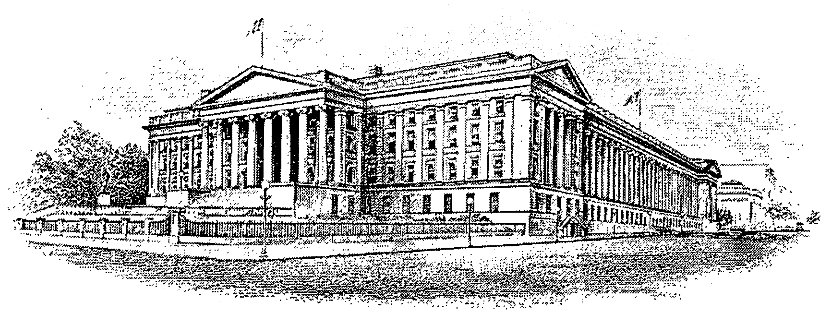
FROM THE OFFICE OF PUBLIC AFFAIRS

May 1, 2003
JS-352

Statement of Pamela F. Olson Assistant Secretary for Tax Policy Department of the Treasury

Before the House Committee on Small Business

Small Business



DEPARTMENT OF THE TREASURY

OFFICE OF PUBLIC AFFAIRS

For Immediate Release
May 1, 2003

Contact: Tara Bradshaw
(202) 622-2014

STATEMENT OF PAMELA F. OLSON
ASSISTANT SECRETARY FOR TAX POLICY
DEPARTMENT OF THE TREASURY

BEFORE THE HOUSE COMMITTEE ON SMALL BUSINESS

Mr. Chairman, Ranking Member Velazquez, and Members of the Committee:

I am pleased to be here today to discuss the efforts of the IRS to reduce the burdens of tax compliance on small businesses and the Regulatory Flexibility Act (RFA).

ADMINISTRATION PRIORTY ON REDUCING SMALL BUSINESS BURDENS

The entire Administration, including the IRS and the Department of the Treasury, is committed to working closely with the small business community and its representatives to help small businesses and the self-employed understand their tax obligations and reduce their compliance burdens. We believe our record bears out this commitment.

The newly restructured IRS is built around four organizational units with end-to-end responsibility for serving specific groups of taxpayers. One of these units is the Small Business and Self-Employed (SB/SE) Operating Division, which serves the approximately 7 million taxpayers that are small businesses. SB/SE exists because the IRS recognizes that small businesses have unique issues that could be given short shrift unless a specific operating unit was devoted to them. In addition, because the IRS recognizes that these taxpayers may lack the financial resources to understand and address these unique issues, one of the primary focuses of the SB/SE Division is to work with small businesses to teach them about their federal tax responsibilities and to develop less burdensome and more practical means of compliance. The SB/SE Division has also assumed an important role in reviewing IRS regulations to ensure that they minimize burdens placed on small businesses consistent with the requirements of the tax law and principles of sound tax administration.

We are extremely pleased that last December the Small Business Administration presented the IRS with its 2002 Agency of the Year Award. SBA recognized SB/SE's Taxpayer Education and Communication organization for its outstanding progress in creating an effective education and compliance assistance program for small businesses and the self-employed. We are committed to continuing this record of achievement in serving the small business community.

The IRS continues to expand the ways it communicates with small businesses. For example, in 1999 the IRS initiated "The Small Business Corner" on the IRS Internet site. It provides small business taxpayers with easy-to-access and easy-to-understand information necessary to comply with their federal tax responsibilities. The goal of this type of convenient "one-stop shopping" is to provide virtually all of the products and services that a small business needs to meet its tax compliance responsibilities.

The IRS has also initiated a comprehensive taxpayer burden reduction initiative. The Service-wide Taxpayer Burden Reduction Council develops, coordinates, and champions cross-functional or service-wide burden reduction projects. Small business taxpayers participate in the IRS Industry Issue Resolution Program, which includes taxpayer burden reduction as a program criterion. Recently implemented burden reduction projects benefiting small businesses include:

- Exempting 2.6 million small corporations from filing Schedules L, M-1 & M-2, reducing burden by 61 million hours annually. (April 2002)

- Reducing the number of lines on Schedules D, Forms 1040 and 1041, resulting in estimated burden reduction of 9.5 million hours for 22.4 million taxpayers. (January 2002)

- Eliminating the requirement for filing Part III of Schedule D (capital gains), Form 1120S for 221,000 S-Corporation taxpayers, reducing burden by almost 600,000 hours. (November 2002)

The IRS has also streamlined many of its procedures to make compliance less burdensome for small business taxpayers. A few examples include:

- The establishment of a permanent special group to work with payroll services to resolve problems before notices are issued and penalties are assessed against the individual small businesses serviced by these bulk and batch filers. (October 2002)

- Business filers can now e-file employment tax and fiduciary tax returns, and at the same time, pay the balance due electronically by authorizing an electronic funds withdrawal.

- Business preparers can now e-file their clients' employment tax returns.

- The IRS has continued to improve its Web site to offer its customers the ability to both order, and in many cases, utilize its Small Business Products online.

The IRS Website now includes the Electronic Marketing Card, which introduces small businesses and the self-employed to the SB/SE Division, and its mission, services, products, and contacts. Small business taxpayers can also automatically download tax events from the 2003 Small Business Tax Calendar into their Outlook calendars.

In addition, the Small Business Resource Guide, and the Virtual Small Business Workshop, are all now available to view online. The Virtual Small Business Workshop is powered by video streaming technology and is available through the Online Classroom. IRS customers can visit the Online Classroom when it is convenient for them. If a small business owner or self-employed individual needs to speak with someone from the IRS directly, he or she is just a click away from the "New Toll-Free Numbers to Reach the IRS" located on the Small Business Community homepage.

It is the long-term and continuing goal of the IRS and the Treasury to ease the burden of small businesses to the greatest extent practical, consistent with the law as enacted by Congress. We look forward to working with this committee as we continue those efforts.

THE BENEFITS OF TIMELY IRS GUIDANCE TO SMALL BUSINESS

Minimizing taxpayer burdens, whether for small businesses or other taxpayers, is a paramount objective of the regulations and other guidance issued by the IRS. Unfortunately, our tax laws have become devastatingly complex in recent years. That complexity threatens to undermine taxpayer confidence in the system, as people come to view the system as one that encourages aggressive tax planning by those with the resources to hire sophisticated planners. We view a system that puts people to the choice of being a cheat or a chump as inherently unstable. It is essential that we simplify the tax laws wherever and whenever we can. Just as importantly, we must refrain from making the system any worse than it already is.

It is important to emphasize that tax regulations and other guidance are, themselves, means by which taxpayer burdens are reduced. Regulations, rulings, and notices serve to make clear how the tax laws enacted by Congress will apply in the real life situations faced by businesses, including small businesses as they plan their affairs and file their tax returns. The business community desires and needs such guidance. Without it, the law would remain unclear and businesses would be forced to take their best guess, with the consequence being an IRS audit if the guess is wrong. With regulations in place, the guesswork (and the potential for an audit) is significantly reduced. Certainty – knowing how the IRS will interpret and apply a law written by Congress – is the most efficient and effective way to reduce the burden of small businesses complying with the tax law.

In developing tax guidance, Treasury and the IRS actively seek input from interested parties, including small business, and endeavor to offer as many opportunities as possible for interested parties to participate in the process. In almost all situations, the IRS issues proposed rules and in some cases advance notices of proposed rulemaking for public comment. The same is often done for draft revenue procedures. When public comments raise new issues, we often issue a second notice of proposed rulemaking. Treasury and IRS carefully consider all comments received from the public and we revise proposed rules to minimize burdens and simplify compliance whenever possible, consistent with principles of sound policy and tax administration.

In this context, it is important to remember that IRS regulations do not make the laws that apply to small businesses or any other taxpayer. Congress does that by amendments to the Internal Revenue Code. The role of IRS and Treasury is to interpret and apply those laws. In that way, tax regulations differ greatly from regulations issued by other regulatory agencies. We provide taxpayers with the guidance they need to comply with their obligations under the Internal Revenue Code as enacted by the Congress.

Providing timely, comprehensive, and understandable guidance to taxpayers reduces controversy, eliminates disputes, and provides taxpayers with certainty concerning their obligations under the tax code. Just as important, clear IRS regulations and guidance minimize the likelihood that there will be contact between IRS and taxpayers. Without this guidance, compliance obligations would have to be established through burdensome taxpayer audits and costly litigation. Audits and litigation are a costly and inefficient means of interpreting the law.

For example, several years ago the IRS was devoting significant audit resources to examining the use of the cash method of accounting. This was one of the most heavily litigated tax issues. In order to reduce administrative and compliance burdens on small business taxpayers and to minimize controversy between the IRS and these taxpayers, we issued in December 2001 a proposed revenue procedure on the use of the cash method of accounting by small businesses and requested comments from the public on the proposed guidance. After considering the issues raised in the comments, we made changes and clarifications to the guidance and issued a final revenue procedure in April 2002. The final revenue procedure expressly permits certain businesses with gross receipts of less than $10 million to use the cash method of accounting. We expect that the revenue procedure will eliminate most disputes concerning the use of the cash method by small business taxpayers.

This example illustrates what may be a unique feature of tax regulations in that they interpret statutory tax obligations, but do not impose tax obligations. That is, the statutory requirements take effect, taxpayers must comply with them, and the IRS must enforce them. In the absence of regulations, the IRS must still enforce the law, and it will do so without the benefit of the interpretative guidance that the regulations provide. The result is likely to be increased cost and burden for taxpayers if regulations are not issued or are not issued on a timely basis.

The IRS and Treasury are committed to easing the burden on small business wherever possible, consistent with the laws enacted by Congress and sound tax administration. Reducing taxpayer burden frees up IRS resources for more important tasks, including aggressive pursuit of tax evasion.

IRS GUIDANCE AND THE REGULATORY FLEXIBILITY ACT

The Department of the Treasury and the IRS fully support the objectives of the Regulatory Flexibility Act.

In 1996, Congress amended the RFA to make it applicable to interpretative tax regulations to the extent that those regulations impose a collection of information on small entities. This amendment, which Treasury worked with the Congress to develop, recognizes two important elements of tax regulations. The first is that provisions of the Internal Revenue Code, as enacted by Congress, must be applied equally to all businesses regardless of whether they are large multinational corporations or small businesses down the street. The second is that paperwork burdens imposed by regulations that affect small businesses must be carefully considered by the IRS and minimized when possible.

The 1996 amendment made the RFA applicable to an interpretative tax regulation when that regulation is subject to review and approval by OMB under the Paperwork Reduction Act of 1995. That means that the IRS must prepare a regulatory flexibility analysis for any rule that imposes a collection of information on small businesses unless the IRS certifies that the collection of information will not have a significant economic impact on a substantial number of small businesses.

Treasury and the IRS take their responsibilities under the RFA very seriously. Indeed, every IRS regulation is reviewed by three different offices for compliance with the RFA, as well as the other laws and Executive orders that govern the regulatory process. The first review occurs in the Office of the IRS Chief Counsel, the second by tax counsel at the Department, and the third in the office of Treasury's General Counsel.

In addition, every single IRS rule is required by section 7805 of the Internal Revenue Code to be sent to the Chief Counsel for Advocacy for comment on its impact on small businesses. If the Chief Counsel submits comments, the IRS is required by law to respond to those comments in the final rule. The law imposes no such requirement on any other agency.

With one very limited exception for regulations involving information collections conducted in connection with civil or criminal enforcement actions, the 1996 amendment applies to any interpretative tax regulation that requires small business taxpayers to (1) report information to the IRS, (2) disclose information to any other person, or (3) maintain specified records. Whenever a regulation involves one of these requirements, the IRS is required to prepare a regulatory flexibility analysis or certify that the regulation will not have a significant economic impact on a substantial number of small entities and explain the basis for its certification. The IRS complies with these requirements for every interpretative regulation it issues.

We have heard some speculation that the IRS considers the 1996 amendment to apply only when a regulation results in small business taxpayers having to complete a new form. This is categorically not correct. This misconception is understandable because most people associate IRS paperwork burdens with the preparation and filing of tax returns or information returns.

Even when an interpretative tax regulation is not subject to the RFA because it does not impose a requirement for collection of information, it is the policy of the Department of the Treasury to minimize, consistent with statutory requirements and sound regulatory policy, the compliance and paperwork burdens that their regulations impose on small businesses. This policy, as well as the Treasury Department's overall policy and procedures for complying with the RFA, are reflected in the formal guidance developed by the Department and recently posted on our Website pursuant to Executive Order 13272.

Since the 1996 amendments to the RFA, we have identified 24 proposed or final rules for which the IRS has prepared an initial or final regulatory flexibility analysis. For many of these, the IRS prepared the analysis not because it believed that the paperwork components in the regulations imposed a significant economic impact on a substantial number of small businesses, but rather because to do so comported with the spirit of the RFA. For the balance of the regulations issued during that period, the IRS certified that the information collections contained in the regulations would not have a significant economic impact on a substantial number of small entities.

IRS GUIDANCE RELATING TO MOBILE MACHINERY AND INTEREST REPORTING BY BANKS

Finally, the letter inviting us to testify today raised concerns over IRS compliance with the RFA in connection with two specific regulations.

The first is a proposed rule that concerns excise taxes on certain motor vehicles issued in June, 2002. Under current law, various excise taxes are imposed to provide revenues to fund the Highway Trust Fund. Those statutory provisions are broadly written, applying to virtually all vehicles (and fuels for those vehicles) that are capable of traveling on highways.

IRS defines a highway vehicle as any self-propelled vehicle, trailer, or semitrailer designed to perform a function of transporting a load over public highways, whether or not it is also designed to perform other functions. The regulations (and not the statute itself) broadly exempt from those excise taxes vehicles that were, in essence, mobile machinery mounts. This exemption was consistent with the notion that, because the taxes were enacted to support the construction and maintenance of public highways, the applicable statutory provisions should only be applied with respect to vehicles generally capable of traveling on highways. The exception was apparently based on the assumption that vehicles that transport mobile machinery would make minimal use of public highways and thus would receive only minimal benefit from highway construction and maintenance.

This broadly-written exception, however, was the source of much dispute between taxpayers and the IRS. Much of the disputes centered on what was and what was not mobile machinery, and reflected increasing technological advances that permitted heavier equipment to be mounted on vehicles perfectly capable of significant use of our highways. Many of those disputes involved very large rather than small businesses.

These factual and definitional disputes were and remain a continuous drain on taxpayer and IRS resources. We concluded that taxpayers needed more specific guidance in order to reduce the number of disputes and to provide certainty to taxpayers. The proposed regulations were developed with that goal in mind. We are aware that the proposed regulations were controversial, and have advised that they will not be finalized until the Congress completes its work on the Highway Trust Fund reauthorization.

An initial regulatory flexibility analysis was not prepared for this proposed rule because it does not meet any of the requirements for such an analysis under the 1996 amendment. The regulation does not contain any requirement that any taxpayer report information to the IRS, report information to another person, or maintain specified records. While it is true that some small business taxpayers may become subject to these excise taxes if this rule is finalized, this is a function of the Internal Revenue Code and not the result of a collection of information contained in the regulation. Thus, the proposed regulation complied fully with the requirements of the 1996 amendment.

The second is a proposed regulation regarding reporting by banks in the United States on interest paid to certain nonresident alien depositors. This information reporting is intended to improve compliance with U.S. tax obligations, and will not unduly burden U.S. banks. Tax evasion through the use of offshore accounts is a significant and growing problem in the United States. Enhancing appropriate information exchange pursuant to our bilateral tax treaties in appropriate circumstances, subject to the strict protections of the confidentiality of taxpayer information, is an important means of reducing the opportunities for tax avoidance in the offshore sector. We must address the potential for tax evasion through use of offshore accounts or entities in order to maintain confidence of all Americans in the fairness of our tax system. This proposed regulation is just one element of our multi-faceted effort to protect the interests of honest taxpayers who are prepared to pay their fair share of U.S. taxes and who should not have to bear a greater burden because of the few who are less than honest. In today's world, it is more important than ever that no safe haven exist anywhere in the world for the funds associated with illicit activities.

The currently-pending regulation is the second proposed regulation on this matter. The original proposed regulation, which was issued in January of 2001, was withdrawn and re-proposed in July of 2002 following thorough consideration by the Treasury Department and the IRS of all the comments received on the January 2001 proposed regulation. The regulation as re-proposed was narrowed significantly in scope – requiring information reporting with respect to interest paid only to residents of sixteen countries that are major trading partners of the United States – in order to address the banking industry's concerns about the January 2001 regulation, which would have required information reporting with respect to interest paid to all foreign depositors wherever they reside. Moreover, the regulation was again issued in proposed form in order to provide another opportunity for those potentially affected to comment on its impact.

Treasury and the IRS have carefully considered the requirements of the RFA with respect to this proposed regulation. We do not believe that the information reporting that would be required under this regulation would have a significant economic impact on a substantial number of small entities. The depository accounts, the interest on which would be subject to reporting under the regulation, tend to be with larger financial institutions operating in the United States because such institutions tend to maintain correspondent account relationships with financial institutions in the countries specified in the regulations. Thus, the number of small entities that would be required to undertake this reporting is expected to be small. To the extent small financial institutions have accounts for which reporting would be required under this regulation, the number of such accounts is expected to be very limited. Moreover, the amount of time required to complete the forms and statements that would be required is not substantial. The information reporting that would be required is consistent with the reporting that U.S. banks do currently for interest paid to U.S. persons and to Canadian residents and would build on systems already in place.

That concludes my prepared statement. I would be pleased to answer any questions the Committee may have.

-30-

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 1, 2003
JS-353

Statement by Treasury Assistant Secretary for Tax Policy Pam Olson on the Results of the Offshore Initiative

The Offshore Initiative has been an effective program in bringing taxpayers back into compliance with the law. Many people have come forward and provided information that is leading us to other promoters and participants. We are hopeful this initiative will aid in stemming the promotion of abusive schemes.

Taxpayers that have not come forward will be pursued by the IRS and will be subject to more significant penalties and possible criminal sanctions.

Treasury and the IRS must ensure that the IRS has the information necessary for it to fully and fairly enforce the tax laws. The voluntary compliance initiative is an important source of information. The John Doe summons initiatives are another. Treasury will continue its efforts to improve and expand the U.S.'s broad network of bilateral tax treaties and tax information exchange agreements. Better tax information exchange relationships will permit the IRS to obtain the information it needs from other countries so it can pursue taxpayers attempting to hide income offshore to avoid their tax obligations.

Bureau of the
Public Debt
United States Department of the Treasury

blic Debt Announces Activity for Securities in the STRIPS Program for April 03

ι IMMEDIATE RELEASE

6, 2003

3ureau of the Public Debt announced activity for the month of April 2003, of securities within the Separate Trading of Registered 'est and Principal of Securities program (STRIPS).

	In Thousands
cipal Outstanding (Eligible Securities)	$2,285,544,676
1 in Unstripped Form	$2,112,222,446
1 in Stripped Form	$173,322,231
onstituted in April	$11,958,600

accompanying table, gives a breakdown of STRIPS activity by individual loan description. The balances in this table are subject to and subsequent revision. These monthly figures are included in Table V of the Monthly Statement of the Public Debt, entitled lings of Treasury Securities in Stripped Form."

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

JS - 354

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
May 06, 2003

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 4-WEEK BILLS

Term:	28-Day Bill
Issue Date:	May 08, 2003
Maturity Date:	June 05, 2003
CUSIP Number:	912795MQ1

High Rate: 1.040%   Investment Rate 1/: 1.060%   Price: 99.919

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 69.04%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 21,409,500	$ 5,956,121
Noncompetitive	43,884	43,884
FIMA (noncompetitive)	0	0
SUBTOTAL	21,453,384	6,000,005
Federal Reserve	4,143,429	4,143,429
TOTAL	$ 25,596,813	$ 10,143,434

Median rate 1.030%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 1.010%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 21,453,384 / 6,000,005 = 3.58

1/ Equivalent coupon-issue yield.

JS-355

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
May 06, 2003

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 3-YEAR NOTES

Interest Rate:	2%	Issue Date:	May 15, 2003
Series:	G-2006	Dated Date:	May 15, 2003
CUSIP No:	912828AY6	Maturity Date:	May 15, 2006

High Yield: 2.009% Price: 99.974

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 43.18%. All tenders at lower yields were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 42,895,300	$ 21,725,974
Noncompetitive	144,034	144,034
FIMA (noncompetitive)	130,000	130,000
SUBTOTAL	43,169,334	22,000,008 1/
Federal Reserve	391,025	391,025
TOTAL	$ 43,560,359	$ 22,391,033

Median yield 1.980%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 1.800%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 43,169,334 / 22,000,008 = 1.96

1/ Awards to TREASURY DIRECT = $50,317,000

JS 356

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 6, 2003
JS-357

MEDIA ADVISORY
Departments of Treasury and Defense Host Financial Education Event on Thursday

The Departments of the Treasury and Defense on Thursday, May 8, 2003 will host a financial education event at the Department of the Treasury.

The event will serve as the official launch of the Department of Defense's Financial Literacy Campaign. In addition, Treasury's Office of Financial Education will formally recognize the Department of Defense for its exemplary program that contains the critical elements for a successful financial education program.

The event will feature remarks by Treasury Under Secretary for Domestic Finance Peter R. Fisher, Defense Under Secretary for Personnel and Readiness Dr. David S.C. Chu, and Treasury Deputy Assistant Secretary for Financial Education Judy Chapa.

The event will take place at 1:00 pm on May 8, in the Treasury Department's Cash Room, 1500 Pennsylvania Ave., NW, Washington, DC.

Media without Treasury or White House credentials must request security clearance at least 24 hours before the event. Please contact Frances Anderson in the Office of Public Affairs at 202-622-1960 with your name, organization, date of birth and social security number by 1:00 pm on May 7, or fax the information to 202-622-1999.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 7, 2003
JS-358

MEDIA ADVISORY
U.S. Treasury Secretary John Snow to Hold Press Conference
Background Briefing by Senior Treasury Officials to Follow

U.S. Treasury Secretary John Snow will hold a press conference this afternoon at 3:30 PM in the Treasury Department Media Room immediately followed by a background briefing with Senior Treasury Officials.

WHAT: Press Conference by Secretary John Snow
WHEN: 3:30 PM
WHERE: Treasury Department Media Room
PARTICIPANTS: Secretary Snow
Senior Treasury Officials
COVERAGE: On-camera, on-the-record

Briefing will be open to Treasury Department and White House press pass holders.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

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May 6, 2003
2003-5-6-16-17-36-24106

Report to Congress on International Economic and Exchange Rate Policies

For the period July 1, 2002, through December 31, 2002

Report(s):

- Update 2002 fxreport

Report to Congress on International Economic and Exchange Rate Policies

For the period July 1, 2002, through December 31, 2002

THIS REPORT IS REQUIRED UNDER SECTION 3005 OF THE OMNIBUS TRADE AND COMPETITIVENESS ACT OF 1988 (THE "ACT"). THIS REPORT REVIEWS DEVELOPMENTS IN U.S. INTERNATIONAL EXONOMIC POLICY, INCLUDING EXCHANGE RATE POLICY.

Major Findings:

- **Countries around the world continue to use a variety of exchange rate policies, ranging from flexible rates with no intervention to currency unions and to full dollarization.**

- **There was no reversal of the trend toward greater flexibility observed since the mid 1990s.** Treasury continues to monitor the exchange rate practices of major U.S. trading partners and to encourage policies that promote economic growth and economic stability.

- **No major trading partners of the United States manipulated exchange rates under the terms of Section 3004 of the Act during the period July 1, 2002, through December 31, 2002.**

The United States:

Current Account

The U.S. current account deficit rose to a seasonally adjusted (sa) $137 billion or 5.2% of GDP in the fourth quarter of 2002. The current account deficit for the entire year rose to $503 billion or 4.8% of GDP in 2002 from a cyclically depressed level of $393 billion, or 3.9% of GDP, in 2001. The value of imports, particularly of consumer goods and petroleum and petroleum products, increased strongly in the period[1] from the first half of 2002. Export growth was sluggish as the recovery in foreign economies lagged the United States recovery.

U.S. Balance of Payments and Trade

($ billions, SA, unless otherwise indicated)

	2001	2002	2002			
			Q1	Q2	Q3	Q4
Balance on Currenct Account						
Billions of $	-393.4	-503.4	-112.5	-127.7	-126.3	-136.9
Per Cent GDP	-3.9	-4.8	-4.4	-4.9	-4.8	-5.2
Select Financial Flows						
(+=capital inflow)						
Net Bank Flows	-48.3	110.4	-9.3	-11.9	68.0	63.6
Net Direct Investment Flows	3.0	-93.4	-13.2	-37.1	-23.5	-19.6
Net Securities Sales	342.7	417.6	73.3	112.3	131.0	101.0
Net Liabilities to Unaffiliated Foreigners by Non Banking Concerns	68.0	21.2	32.4	4.4	-8.0	-7.5
Memo: Statistical discrepancy	10.7	28.5	24.9	54.4	-43.4	-7.4
Trade in Goods						
Balance	-427.2	-484.4	-106.6	-122.6	-122.9	-132.3
Total Exports	718.8	682.6	164.4	172.2	175.4	170.7
of which:						
Agricultural Products	54.9	54.4	13.8	13.5	13.3	13.8
Capital Goods Ex Autos	321.7	290.6	70.9	73.3	75.3	71.1
Automotive Products	75.4	78.4	18.4	20.1	20.6	19.3
Consumer Goods	88.3	84.4	20.5	21.0	21.5	21.4
Industrial Supplies *	160.2	157.0	36.8	39.7	39.9	40.5
Total Imports	1145.9	1166.9	271.0	294.8	298.2	302.9
of which						
Petroleum and Products	103.6	103.6	19.2	27.1	27.7	29.6
Capital Goods ex Autos	298.0	283.9	69.3	72.1	71.3	71.2
Automotive Products	189.8	203.9	47.6	51.8	52.5	52.0
Consumer Goods	284.5	307.9	71.4	76.9	78.8	80.7
Advanced Technology (NSA)						
Balance	4.4	-17.5	-2.0	-2.1	-5.5	-8.0
Exports	199.6	178.6	43.6	45.6	44.9	44.6
Imports	195.2	196.1	45.6	47.6	50.3	52.5

Source: BEA

* Including Petroleum & Products

Financial Flows

Net financial flows into the United States remained strong. Although net foreign purchases of U.S. corporate bonds and equities declined during the period from first half 2002 levels, increased net sales of Treasury and agency securities were large enough to offset these declines. The inflows easily financed the U.S. current account deficit and reflected international investors' continued strong interest in investment opportunities in U.S. markets.

International Investment Position and Earnings

The latest available data indicate that the negative net investment position of the United States (with direct investment valued on a market-value basis) widened to $2.3 trillion at the end of 2001 from $1.6 trillion at the end of 2000. Despite this large negative position, net income payments on investment assets amounted to only $5 billion dollars in 2002. This represents a decline from a positive $21 billion in net earnings on investment assets in 2001, reflecting a fall in net income on direct investment from $103 billion in 2001 to $78 billion in 2002.

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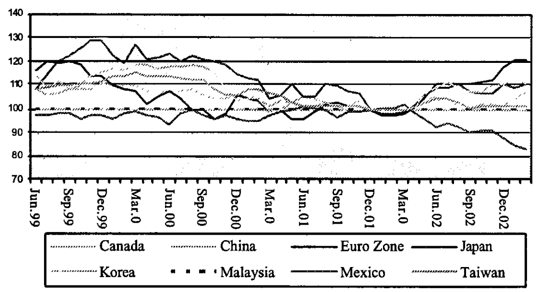
1 "The period" means July 1, 2002, through December 31, 2002 unless otherwise indicated

The Dollar in Foreign Exchange Markets

The Federal Reserve Board's broad nominal dollar index did not change significantly over the period. There was, however, a dichotomy in the dollar's performance against the two component currency groupings in the broad index: the Federal Reserve Board's trade-weighted index of the dollar's exchange value against seven major foreign currencies declined 1.6% during the period while the index of the currencies of the other important U.S. trading partners (OITP) rose 2.5%[2].

Exchange Rates in Dollars
(December 2001 = 100)



The appreciation of the dollar against the OITP currencies over the second half of 2002 was largely due to currency depreciation in Latin America, particularly in Brazil and Mexico. The Brazilian real, which carries a 4% weight in the OITP index, depreciated 20.1% and the Mexican peso, which carries a 22.9% weight in the index, depreciated 4.3% over the period.

G-7 Finance Ministers and Central Bank Governors referred to exchange rates among the major currencies in their September 27, 2002 communiqué, reaffirming: "We will continue to monitor exchange markets closely and cooperate as appropriate."

The United States did not intervene in foreign exchange markets during the period.

Major Industrial Economies

Euro Zone Countries

The Euro Zone current account surplus increased to 1.1% of GDP (sa) during the period from 0.7% of GDP in the first half of 2002. Euro Zone exports, valued in dollars, rose 12.5% in the period from the first half of 2001, while Euro Zone imports increased 9.2%. For 2002 as a whole, the current account swung to a $60 billion surplus from an $11 billion deficit in 2001.

The nominal euro appreciated 6.4% against the dollar, while the Eurostat index of the real effective exchange rate appreciated 3.7% over the period. The euro appreciated 17.8% against the dollar in the year through December 31, 2002.

Japan

The yen was virtually flat against the dollar during the period, appreciating 0.9%, to ¥118.8 at the end of December 2002 from ¥119.9 at the end of June 2002. JP Morgan's real trade-weighted index of the yen, however, fell 2.2% under the pressure of Japanese deflation. The Ministry of Finance indicated that Japan did not intervene in the foreign exchange market during the period.

Japan's current account surplus shrank to $54 billion (2.6% GDP) in the second half of 2002, down from $58 billion (3.0% GDP) in the first half of the year, reflecting a smaller merchandise trade and services surplus and an increasing current account transfers deficit. While the merchandise trade surplus grew 6% to $48.1 billion in the period, Japan's services deficit expanded 17% to $22.5 billion, more than offsetting the growth in the merchandise trade surplus. The growing services deficit, along with a larger transfers deficit, accounted for much of the overall decline in the current account surplus.

Long-term financial account outflows were very large during the period. Net outflows associated with direct investment and with portfolio investment in equities, bonds and notes reached $92 billion during the period, compared with $47 billion in the first half of 2002 and $79 billion in the second half of 2001. This long-term outflow for 2002 as a whole was the largest of the past decade.

Canada

The Canadian current account surplus declined to 1.3% of GDP (sa) during the period from 1.7% of GDP during the previous 6 months. The current account surplus has been below 2% of GDP for six consecutive quarters.

The Canadian dollar fell 3.9% against the U.S. dollar during the period, while the JP Morgan Broad Real Trade Weighted Index of the Canadian dollar fell 5.0%. For 2002 as a whole, the Canadian dollar appreciated 0.8% against the dollar. The Canadian dollar floats freely. A 1998 study by the Bank of

[2] The seven major currencies account for 54.6% of the weight in the broad index while the nineteen OITP countries account for 45.4%.

Canada of its foreign exchange intervention concluded that its prior policy of regular intervention had very limited impact. Canada has not intervened in foreign exchange markets since 1998, except to make a small contribution to the brief G7 intervention in support of the euro in September 2000.

Latin America

Economic and political uncertainty in a number of countries undermined growth and capital flows for Latin America in 2002. Although the region saw real economic contraction of about 0.5% in 2002, prospects were improving by year-end with 2-3% growth for the region expected in 2003. In the second half of 2002, a sharp rise in Brazilian borrowing spreads contributed to the Latin America Emerging Market Bond Index (EMBI+) reaching a spread of 1,399 basis points over U.S. Treasuries in September 2002 before falling to roughly 1,000 basis points in December. In general, adverse conditions led to weaker nominal exchange rates throughout the region in 2002.

Argentina

The end of Argentina's one-to-one peg of the peso to the U.S. dollar in early 2002 led to a sharp decline in the peso. The currency then stabilized and strengthened from 3.81 Argentine pesos (ARP) per dollar at end-June to ARP 3.36 at end-December for a 13.4% appreciation over the period. The peso has strengthened further in 2003. The government has eased deposit and exchange controls throughout the year, although some restrictions remain in place.

After the severe economic and financial crisis at the end of 2001 and in the first half of 2002, economic indicators began to show an upward trend in the second half of 2002, with seasonally adjusted at an annual rate (saar) real GDP growth of 2.4% in the third quarter and 3.4% in the fourth. Consumer prices spiked in April 2002, but grew less rapidly thereafter with a net increase of 41% for the year through December 2002 .

Outflows from the banking sector in the first half of the year were reversed in the period with total deposits increasing by ARP 5.6 billion. Interest rates on one-month central bank debt fell from about 70% in August to less than 10% by end-December 2002. The monetary base increased sharply in the second half of 2002 but its growth rate fell in the first months of 2003. In 2002, Argentina enjoyed a current account surplus of 8% of GDP due to a trade surplus of $16.4 billion – 60% higher than in 2001 – with imports down 58% in 2002 and exports down 5%. Argentine gross foreign exchange reserves grew by $847 million in the second half of 2002 for an end-December reserve figure of $10.5 billion.

Brazil

The real depreciated 20% over the period, with the decline concentrated in the run-up to presidential elections in late-October. Market concerns forced the government to retire a significant portion of maturing debt as domestic and external demand for public securities was inadequate to match rollover requirements.

The central bank took some steps to tighten monetary policy, such as increasing reserve requirements, overnight repurchase operations, and raising the targeted Selic overnight interest rate from 18% to 25%, over the September-December 2002 period. However, its inability to sterilize fully payments for retiring debt contributed to increasing the money supply at 50% and 127% annualized rates in the third and fourth quarters respectively. A weakening currency and rising monetary aggregates heightened inflationary pressures, with the year-on-year consumer price index increasing by 12.5% in December.

Real (price adjusted) currency depreciation contributed to higher exports and helped reduce the current account deficit from 4.6% of GDP in 2001 to 1.7% in 2002. The central bank intervened in the foreign exchange market in support of the real, with a resulting fall in net international reserves from $26.5 billion at end-June to $14.2 billion by end-December.

Mexico

The Mexican peso, which freely floats, depreciated 4.3% in the period following an 8.6% depreciation in the first half of 2002. JP Morgan's index of the real trade-weighted value of the peso depreciated 1.8% in the period following a 2.8% depreciation in the first half of 2002. The recent depreciation in the real trade-weighted peso is a small reversal of appreciation over several years

Mexico's macroeconomic fundamentals remain robust, although growth remained slow with real GDP in the period increasing at a 1.3% rate (saar) from the first half of 2002 and 1.9% from the comparable period of 2001. The Bank of Mexico tightened monetary policy in September and December. In spite of the economic slowdown, fiscal discipline has been maintained, with the deficit at 1.6% of GDP during the period.

The current account deficit fell to 1.3% of GDP in the period, helped by higher prices for oil (10% of exports) and by weak domestic demand curbing import growth. At $7.4 billion, inward direct investment covered over 90% of the current account deficit in the period. During this period, international reserves grew by $6 billion, reaching $51.6 billion by end-December.

Central and Eastern Europe

In Russia, sustained high oil prices helped slow the ruble's rate of nominal depreciation against the U.S. dollar to 1% (31.45R/$ to 31.78R/$) during the period compared to 4% in the first half of 2002. Foreign exchange market intervention, in response to inflows from significant external borrowing by Russian (mainly oil) companies as well as increased export receipts, helped boost reserves $5.5 billion to a record level $48 billion at end-December 2002. In Ukraine the hryvnia continued stable during the period at around 5.33 hryvnia/$.

After appreciating steadily for several years in real terms, the currencies of the major Central European economies were relatively stable during the period. This reflected both nominal depreciation versus the euro, the key currency for trade, and a slowdown in inflation in the major area economies, including deflation in the Czech Republic. For example, the Polish zloty weakened slightly (-0.8%) versus the euro in nominal terms during the second half of 2002, while strengthening by 5.0% versus the dollar (a reflection of the dollar's decline against the euro). The drop in inflation due to tight monetary policy and favorable food prices supported the zloty's weakening by 2.2% for the period (8.6% for the year) in trade-weighted real terms. The Hungarian forint saw sizable nominal gains against the euro in the period, but slowing inflation allowed the forint to remain steady in real terms. In the Czech Republic, the nominal weakening of the crown against the euro (6.8% during the period) and deflation (0.4% y-o-y in December) contributed to a drop in the real effective exchange rate.

Asia

Economic recovery of emerging markets in Asia moderated in the second half of 2002, as export growth slowed everywhere except for Indonesia and Korea. Virtually all economies had trade and balance of payment surpluses, with China increasingly providing final processing and assembly of products from the rest of Asia ultimately exported to the U.S. Hence, while a number of Asian countries had large global trade and current account surpluses, China did not, because of its deficits with its Asian trading partners.

Export growth softened in part because of softer OECD high-tech demand, while higher oil prices also affected the many oil importers in the region. Reserves generally increased significantly during the period, with the exception of the Philippines. A number of economies continued to experience net investment and debt service outflows. In other cases, especially China, foreign direct investment (FDI) inflows growth supported reserve increases.

Inflation continued to decline throughout the region, with China and Hong Kong experiencing deflation. But exchange rate movements were mixed, with both Korea's and Indonesia's currencies appreciating on a real effective (REER) basis. Both Chinese and Hong Kong currencies weakened significantly in REER terms because of the weight of their trade with Korea and Indonesia. The currencies of other economies weakened only moderately in REER terms, with Taiwan and the Philippines weakening more than others.

China

China's exports accelerated to a 30% y/y growth rate in the period, up from a 14% y/y growth rate in the previous half-year. Imports also accelerated to a 31% y/y growth rate from a 10% y/y rate in the previous period, so that China's surplus of trade in goods rose modestly to $17 billion (2.5% of GDP) from $15 billion (2.4% of GDP) a year earlier.

The current account surplus for 2002 will probably rise modestly from the 1.5% of GDP level reached in 2001. China's current account surplus, as a per cent of GDP, has declined significantly since 1997 when it reached 4.1% and the deterioration of China's trade surplus in early 2003 suggests this trend will continue.

Although China had a relatively balanced global position, U.S. data show China had a bilateral merchandise trade surplus with the U.S. of $60 billion during the period, compared to $49 billion in the same period a year earlier. In general, inputs from other emerging Asian countries are increasingly routed through China for assembly and export, principally to the U.S. China has a significant deficit with nearly all its Asian trading partners. It has been estimated that China's trade deficit with major emerging market economies in East Asia was about $45 billion in 2001. China maintains a de facto currency peg to the dollar, which it has kept within a tight band since 1995.

Capital inflows increased sharply in the period, although the growth of FDI decelerated to 8% y/y from 19% during the previous half. As a result of the higher current account surplus and higher capital inflows, gross foreign reserves grew 18% in the period to $243 billion. The JP Morgan index of the real trade-weighted renminbi stayed fairly stable, depreciating only 0.7%, during this period. China continues to maintain wide-ranging controls on both capital outflows and inflows.

Korea

Korea's overall economy did well in the period, with GDP growing 3.9% and 8.3% (q/q, saar) in the third and fourth quarters of 2002, respectively. Stronger net exports boosted the current account surplus in the period to 1.2% of GDP, versus 0.8% a year earlier. The capital and financial account excluding reserve accumulation recorded a small surplus of 0.3% of GDP, as domestic banks and firms increased foreign-currency borrowing.

Korea maintains a floating exchange rate, intervening only to curb what it views as excessive volatility. The won appreciated 1.3% against the U.S. dollar on a nominal basis, while the JP Morgan real trade-weighted index appreciated 0.1%. Official intervention was modest. Gross reserves increased by $9 billion (8%) during the period to $121.4 billion, in part as a result of interest earnings and valuation adjustments as the euro appreciated against the dollar during the period. As of December 2002, reserves were approximately 188% of short-term external liabilities (residual maturity basis), a decrease from 235% at the end of June. Korea maintains relatively few restrictions on capital flows.

Taiwan

Taiwan's economy grew by 4.1% and 4.7% (q/q, saar) in the third and fourth quarters, respectively. Its current account surplus grew to 8.9% of GDP in the period, up from 7.9% in the second half of 2001. Growing trade with Mainland China (a $13.9 billion bilateral trade surplus during the period) and higher foreign investment earnings are major factors in the large current account surplus.

Taiwan's financial account excluding reserve accumulation recorded a moderate, 1% of GDP, deficit during the period, as direct investment abroad surged, portfolio investment abroad exceeded inflows, and foreign currency deposits increased in expectation of a Taiwan dollar (TWD) depreciation. The TWD depreciated 3.2% on a nominal basis against the U.S. dollar during the period, while the JP Morgan real trade-weighted index depreciated 2.6%. Official reserves grew by US$13 billion (9%) in the period to $162 billion (nearly 400% of total external debt).

Malaysia

Malaysia's economy continued to expand in the period, with GDP growth accelerating to 6.2% (q/q, saar) in the third quarter before slowing to 3.0% in the fourth. Growth was underpinned by private consumption and development expenditure by the government, offsetting softening external demand. The current account surplus declined to 7.4% of GDP in the third quarter of 2002 (latest data available) from 9.9% a year earlier as a result of accelerating imports. Although the United States remained the largest destination of Malaysian exports, exports to ASEAN countries grew by 14.6% y/y, while exports to the United States grew by just 5.1%.

Malaysia has maintained a fixed peg to the dollar since September 1998, when it also imposed capital controls. Controls have since been relaxed, but offshore trading of the ringgit remains prohibited and foreign portfolio investment by residents continues to be restricted. The Malaysian authorities have steadfastly maintained the peg despite alternating periods of downward and upward pressure on the ringgit. The JP Morgan index of the ringgit's real trade-weighted value depreciated 1.9% during the period. Since the introduction of the peg, however, the ringgit has appreciated 7.4% in real traded-weighted terms. At the end of the period, reserves stood at $34.6 billion, little changed from levels in the first half of 2002.

Summary:

This report reveals a wide variety of exchange rate policies used by the major trading partners of the United States. Based on a broad review Treasury concluded that no major trading partners of the United States manipulated exchange rates under the terms of Section 3004 of the Act during the period[3].

[3] Section 3004 of the Omnibus Trade and Competitiveness Act of 1988 requires the Treasury to analyze annually the exchange rate policies of foreign countries, in consultation with the IMF, and to consider whether countries manipulate the rate of exchange between their currency and the dollar for purposes of preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade. The Secretary of the Treasury is required to undertake negotiations with those manipulating countries that have material global current account surpluses and significant bilateral trade surpluses with the United States, unless such negotiations would have a serious detrimental impact on vital national economic and security interests.

=PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 7, 2003
JS-358

MEDIA ADVISORY
U.S. Treasury Secretary John Snow to Hold Press Conference
Background Briefing by Senior Treasury Officials to Follow

U.S. Treasury Secretary John Snow will hold a press conference this afternoon at 3:30 PM in the Treasury Department Media Room immediately followed by a background briefing with Senior Treasury Officials.

WHAT: Press Conference by Secretary John Snow
WHEN: 3:30 PM
WHERE: Treasury Department Media Room
PARTICIPANTS: Secretary Snow
Senior Treasury Officials
COVERAGE: On-camera, on-the-record

Briefing will be open to Treasury Department and White House press pass holders.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

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May 7, 2003
2003-5-9-11-46-16-9421

Secretary Snow Announces Easing of U.S. Iraq Sanctions - Will Allow Vital Humanitarian and Reconstruction Related Activities

U.S. Treasury Secretary John Snow today announced that the United States is suspending aspects of the Iraqi sanctions regime to permit the export of vital humanitarian goods and services and cash remittances from individuals in the U.S. to Iraqis.

"The easing of U.S. sanctions will bring much needed aid and humanitarian relief to the Iraqi people as they begin the process of rebuilding their lives after more than two decades of brutal dictatorship," Secretary Snow stated.

At the direction of Secretary Snow, the Treasury Department's Office of Foreign Assets Control (OFAC) has issued four new general licenses that permit transactions important to the humanitarian needs of the Iraqi people without prior U.S. Government authorization.

Under the new rules, individuals in the U.S. may send remittances of up to $500 per month to any person in Iraq for non-commercial humanitarian purposes, such as money to support friends, loved ones, or others in need in Iraq. Also, all activities funded by the U.S. government in support of humanitarian assistance or reconstruction efforts in Iraq necessary to fulfill obligations under international law to provide for the welfare and security of the Iraqi people are permitted by the licenses. Private humanitarian activities, conducted by any U.S. person or organization, and more liberalized exportation of humanitarian related goods are also permitted so long as the U.N. Sanctions Committee is given notice, through the U.S. State Department, and an opportunity to object.

However, the export of certain goods, controlled for export to Iraq for national security purposes, will require a specific license and all frozen assets of Iraqi entities remain frozen. Regulations governing trade or travel with Iraq administered by other federal agencies are not affected by this action.

U.S. sanctions against Iraq were first established by President George H.W. Bush on August 2, 1990 under Executive Order 12722. Additional restrictions were put in place by the Iraq Sanctions Act, which was passed by Congress shortly after President Bush's executive order and became effective November 5, 1990.

As the reconstruction of Iraq gets underway, these licenses will allow the flow of goods and services vital to the reconstruction process and will help meet the humanitarian needs of the Iraqi people as they begin their new lives in freedom.

Related Documents:

- Iraq Sanctions Fact Sheet

DEPARTMENT OF THE TREASURY
Office of Public Affairs

May 7, 2003

FACT SHEET:
Treasury Announces Easing of U.S. Iraq Sanctions

Today's Action:
U.S. Treasury Secretary John Snow today announced that the Treasury Department's Office of Foreign Assets Control (OFAC) has issued four general licenses permitting many activities vital to the humanitarian needs of the Iraqi people. Today's action will allow essential goods and services, as well as funds from loved ones abroad, to flow into Iraq as rebuilding begins and the Iraqi people start a new life in freedom.

GENERAL LICENSE

The Treasury Department's Office of Foreign Assets Control (OFAC) has issued general licenses that, without further authorization from the U.S. Government, will allow the following:

- **Remittances of up to $500 per month to persons in Iraq**
  - This allows anyone in the U.S. to send much needed funds to friends, loved ones, or other Iraqis in need.
- **Activities paid for with U.S. Government funds to fulfill obligations under international law to enhance the welfare and security of the Iraqi people**
- **Privately financed humanitarian activities in Iraq**
  - These activities must meet the definition of humanitarian relief consistent with U.N. sanctions. This includes the provision of food, medicine, and shelter as well as educational, cultural, recreational, and human rights-related activities, and activities to ameliorate the effects of or to investigate war crimes.
  - Prior to exporting any goods, a notice must be submitted to the U.N. Sanctions Committee via the U.S. State Department. If the U.N. Sanctions Committee raises no objection, then the transaction may go forward.
- **Liberalized Humanitarian Exports to Iraq**
  - Prior to exporting any goods, a notice must also be submitted to the U.N. Sanctions Committee via the U.S. State Department. If the U.N. Sanctions Committee raises no objection, then the transaction may go forward.

MORE

SPECIFIC LICENSES FOR CERTAIN CONTROLLED ITEMS:
The President has signed a waiver of the Iraq Sanctions Act that will allow the issuance of specific licenses for the exportation of certain goods and technology, controlled for national security reasons, by the Department of Commerce for export to Iraq. Requests for these specific licenses should be submitted to Treasury's Office of Foreign Assets Control.

For example, a U.S. government contractor charged with dredging the port at Umm Qasr was previously prohibited from bringing in laptop computers essential to their work in Iraq. OFAC can now issue a specific license authorizing the export of these computers.

Non-Governmental Organizations
The Office of Foreign Assets Control (OFAC) issued a rule March 13, 2003 that allowed OFAC to grant registration numbers permitting nongovernmental organizations (NGOs) engaged in humanitarian relief efforts to operate in Iraq. NGOs have been operating in Iraq under OFAC registration numbers for weeks and continue to do so.

Background
President George H.W. Bush established the U.S. sanctions regime against Iraq when he signed Executive Order 12722 August 2, 1990. The U.S. Congress soon after passed the Iraq Sanctions Act which imposed additional sanctions. The Iraq Sanctions Act became effective November 5, 1990.

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PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 7, 2003
JS-359

Treasury and IRS Provide Guidance to Help Taxpayers that use Fair Market Value Method of Interest Allocation

Today, the Treasury Department and the Internal Revenue Service issued a revenue procedure providing guidance to taxpayers that elect to apportion their interest expense on the basis of the fair market value of their assets.

"Today's release provides much-needed guidance to taxpayers on the information and documentation that may be provided to support a fair market value election for interest allocation purposes," stated Assistant Secretary for Tax Policy Pamela Olson. "It allows taxpayers maximum flexibility in the time for making such an election, while at the same time allowing issues relating to the election to be considered and resolved on a timely basis upon audit."

Generally, taxpayers receive a credit against their U.S. tax liability for income taxes paid or accrued to a foreign country or to a U.S. possession. The amount of the credit is limited to the U.S. tax liability attributable to the taxpayer's net income from foreign sources. To determine net foreign source income, the taxpayer must allocate and apportion its expenses. Taxpayers are required to allocate and apportion interest expense based on their assets, and may elect to do so based on the fair market value of those assets. A taxpayer making such an election must establish the fair market value of its assets to the satisfaction of the IRS.

The revenue procedure will assist taxpayers that use the fair market value method for interest expense apportionment. The revenue procedure makes clear that taxpayers may make this election for any taxable year for which the statute of limitations remains open. The revenue procedure also contains a list of documentation and information that will facilitate the IRS's audit of the taxpayer's election and determination of the fair market value of the taxpayer's assets. Finally, the revenue procedure sets forth the procedures the IRS will follow during an audit of a taxpayer that has elected to use the fair market method, including the timing for supplying the documentation and information. If a taxpayer chooses to provide the information and documentation described in the revenue procedure within the time specified, the IRS commits to consider the taxpayer's fair market value election promptly so that the audit cycle can be closed in the ordinary course.

The text of Revenue Procedure 2003-37 is attached.

Part III
Administrative, Procedural, and Miscellaneous

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.
(Also Part I, §§ 864; 1.861-8T; 1.861-9T.)

Rev. Proc. 2003-37

SECTION 1. PURPOSE

This revenue procedure describes documentation and information a taxpayer that uses the fair market value method of apportionment of interest expense may prepare and make available to the Internal Revenue Service ("Service") upon request in order to establish the fair market value of the taxpayer's assets to the satisfaction of the Commissioner as required by §1.861-9T(g)(1)(iii). It also sets forth the procedures to be followed in the case of elections to use the fair market value method.

SECTION 2. BACKGROUND

Section 901 of the Internal Revenue Code ("Code") allows taxpayers to elect to receive a credit, subject to the limitations of section 904, for any income, war profits, and excess profits taxes paid or accrued during the taxable year to any foreign country or to any possession of the United States. Section 904 generally limits the amount of credit taken under section 901 to the portion of the taxpayer's U.S. tax attributable to the taxpayer's taxable income from sources without the United States.

Sections 862(b) and 863(a) provide that taxable income attributable to gross income from foreign sources shall be determined by deducting the expenses, losses, and other deductions properly apportioned or allocated thereto and a ratable part of any expenses, losses, and other deductions that cannot be definitely allocated to some item or class of gross income. Section 864(e)(2) provides that all allocations and apportionments of interest expense must be made on the basis of assets rather than gross income. Sections 1.861-8T and 1.861-9T provide general rules governing the asset method of interest expense apportionment, and §§1.861-8T(c)(2) and 1.861-9T(g)(1)(ii) provide that a taxpayer apportions its interest expense on the basis of the tax book value of its assets or, at the election of the taxpayer, the fair market value of its assets. Under both methods, §1.861-9T(g)(3) requires assets to be characterized according to the source and type of income that they generate, have generated, or may reasonably be expected to generate.

Section 1.861-9T(g)(1)(iii) requires a taxpayer that elects to apportion its interest expense using the fair market value method to establish the fair market value of its assets to the satisfaction of the Commissioner for each taxable year. If a taxpayer fails to establish the fair market value of an asset to the satisfaction of the Commissioner, the Commissioner may determine the appropriate asset value. If a taxpayer fails to establish the value of a substantial portion of its assets to the satisfaction of the Commissioner, the Commissioner may require the taxpayer to use the tax book value method. Section 1.861-9T(h) provides specific rules for valuing assets for taxpayers that use the fair market value method of interest expense apportionment.

SECTION 3. DOCUMENT AND INFORMATION REQUIREMENTS

.01 If a taxpayer satisfies the requirements of sections 3.02 and 3.03 of this revenue procedure regarding the preparation and production of documents and other information relating to valuation of assets and the Commissioner determines that the taxpayer's valuation of an asset is reasonable, then the taxpayer will have established the fair market value of the asset to the satisfaction of the Commissioner pursuant to §1.861-9T(g)(1)(iii).

.02 A taxpayer satisfies the requirements of this section 3.02 if the taxpayer prepares and makes available to the Service upon request a narrative statement describing the apportionment of interest expense under the fair market value method in sufficient detail such that the Service can reconcile the information on Schedule H of Form 1118 with such apportionment methodology, which narrative statement incorporates or is accompanied by the folowing information:

(a) A description of how the taxpayer calculated the aggregate value of the taxpayer's assets on the last day of its taxable year. In the case of a publicly traded corporation, the taxpayer must describe how the taxpayer calculated the aggregate trading value of stock traded on established securities markets at year-end and how the taxpayer calculated year-end liabilities to unrelated persons and pro rata share of year-end liabilities of all related persons owed to unrelated persons as required by §1.861-9T(h)(1)(i). In the case of a corporation that is not publicly traded, the taxpayer must describe how the taxpayer calculated the aggregate value of its assets by reference to the capitalization of corporate earnings as required by §1.861-9T(h)(1)(i).

(b) A description, by entity, of tangible assets referred to in §1.861-9T(h)(1)(ii). With respect to assets that have significant value or that generate significant income, the description must include detailed information for the asset. For example, with respect to real property, the description should include location, zoning, and square footage.

(c) An explanation of company structure and an identification of cost centers or other reporting divisions or units to which assets are assigned.

(d) A description of the valuation techniques used to value tangible assets and the reasons for selecting such valuation techniques over alternative techniques. Any valuation study relied upon by the taxpayer must include an explanation describing the valuation of the tangible assets as set forth in §1.861-9T(h)(1)(ii) in detail sufficient to enable the Service, upon examination, to duplicate the methodology used to obtain those fair market values. The taxpayer must also provide a description of all assumptions made in applying the valuation techniques used in the study, including but not limited to, discount rates, obsolescence factors, and risk adjustments.

(e) An explanation of the manner in which tangible assets were combined into reasonable groupings and the reasons for such grouping.

(f) An identification of any fungible property, such as commodities, that was valued using statistical methods of valuation, and an explanation of such methods.

(g) A description of the apportionment of interest expense to intangible asset values as computed under §1.861-9T(h)(1)(iii).

.03 If the taxpayer or a third party used any computer software to determine asset values, characterize assets in accordance with §1.861-9T(g)(3), or calculate the taxpayer's foreign tax credit limitation, the taxpayer satisfies the requirements of this section 3.03 if the taxpayer makes available to the Service upon request the following:

(a) Any computer software executable code used for such purposes, including an executable copy of the version of the software used in the preparation of the taxpayer's return (including any plug-ins, supplements, etc.), and a copy of all related electronic data files. Thus, if software subsequently is upgraded or supplemented, a separate executable copy of the version used in preparing the taxpayer's return must be retained.

(b) Any related computer software source code acquired or developed by the taxpayer or a related person, or primarily for internal use by the taxpayer or such person rather than for commercial distribution.

(c) In the case of any spreadsheet software or similar software, any formulae or links to supporting worksheets.

For these purposes, "software," "computer software executable code," and "computer software source code" have the meanings provided for those terms under section 7612(d). For example, computer software executable code includes any related user manuals or similar documentation. Finally, nothing in this revenue procedure shall affect the limitations and protections applicable to summonses for software under section 7612, or the authority of the Commissioner generally to issue a summons for information in accordance with subchapter A of Chapter 78 of the Code.

SECTION 4. USE OF FAIR MARKET VALUE METHOD

.01 A taxpayer may elect to use the fair market value method with respect to any taxable year for which the statute of limitations has not closed. However, an election to use the fair market value method that is not made until an audit of the taxable year to which the election relates has commenced, or a taxpayer's failure to provide timely the documentation and other information supporting the valuation of the taxpayer's assets, creates administrative difficulties for the Service. Accordingly, section 4 of this revenue procedure sets forth the procedures the Service will follow in the case of taxpayers using the fair market value method and the actions it will request of taxpayers.

.02 In the case of a taxpayer that has made an election to use the fair market value method prior to the opening conference for the audit of the taxable year to which the election relates or who makes such an election within 90 days of such opening conference, if the Service issues a written information document request asking the taxpayer to provide the documents and other information described in sections 3.02 and 3.03 of this revenue procedure and the taxpayer complies with such request within 30 days of the request, then the Service will complete its examination, if any, with respect to the taxpayer's method of interest expense apportionment for that year as part of the current examination cycle. If the taxpayer does not provide the documents and information described in sections 3.02 and 3.03 within 30 days of the request, then the procedures described in section 4.03 of this revenue procedure shall apply.

.03 If a taxpayer makes an election to use the fair market value method more than 90 days after the opening conference for the audit of the taxable year to which the election relates or the taxpayer does not provide the documents and information as requested in accordance with section 4.02 of this revenue procedure, then the Service will in a separate cycle determine whether an examination of the taxpayer's method of interest expense apportionment is warranted and complete any such examination. The separate cycle will be worked as resources are available and may not have the same estimated completion date as the other issues under examination for the taxable year. The Service may ask the taxpayer to agree to extend the statute of limitations on assessment and collection for the taxable year to permit examination of the taxpayer's method of interest expense apportionment, including an extension limited, where appropriate, to the taxpayer's method of interest expense apportionment.

.04 For a taxable year for which the taxpayer and the Service have agreed to use the Limited Issue Focused Exam (LIFE) process announced in IR 2002-133 (December 4, 2002), the time periods agreed to in that process shall apply for purposes of both the election to use the fair market value method and the provision of documents and other information with respect to such method.

SECTION 5. EFFECTIVE DATE

Section 3 of this revenue procedure is effective for taxpayers using the fair market value method for taxable years ending after May 7, 2003. Section 4 of this revenue procedure is effective for fair market value method elections relating to taxable years for which the opening conference of the audit occurs more than 30 days after May 7, 2003.

SECTION 6. PAPERWORK REDUCTION ACT

The collection of information contained in this revenue procedure has been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-1833.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number.

The collection of information in this revenue procedure is in section 3, under which taxpayers may prepare and make available to the Commissioner upon request the documents and other information described therein in order for the Commissioner to make a determination regarding whether a taxpayer's valuation of an asset is reasonable. This information will be used by revenue agents to assist in determining if the taxpayer has established the fair market value of the taxpayer's assets to the satisfaction of the Commissioner. The likely respondents are multinational businesses or other for-profit institutions.

The estimated total annual reporting and/or recordkeeping burden is 625 hours. The estimated annual burden per respondent/recordkeeper is an estimated average of 5 hours. The estimated number of respondents and/or recordkeepers is 125. The estimated frequency of response is on occasion.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally tax returns and tax return information are confidential, as required by 26

U.S.C. 6103.

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Melissa Arndt of the Office of the Associate Chief Counsel (International). For further information regarding this revenue procedure contact Ms. Arndt on (202) 622-3850 (not a toll-free call).

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
May 07, 2003

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Interest Rate:	2 5/8%	Issue Date:	May 15, 2003
Series:	F-2008	Dated Date:	May 15, 2003
CUSIP No:	912828AZ3	Maturity Date:	May 15, 2008

High Yield: 2.680% Price: 99.744

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 98.89%. All tenders at lower yields were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 37,462,300	$ 17,783,802
Noncompetitive	166,397	166,397
FIMA (noncompetitive)	50,000	50,000
SUBTOTAL	37,678,697	18,000,199 1/
Federal Reserve	335,643	335,643
TOTAL	$ 38,014,340	$ 18,335,842

Median yield 2.660%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 2.610%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 37,678,697 / 18,000,199 = 2.09

1/ Awards to TREASURY DIRECT = $106,646,000

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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
May 07, 2003

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 5-DAY BILLS

Term:	5-Day Bill
Issue Date:	May 08, 2003
Maturity Date:	May 13, 2003
CUSIP Number:	912795MZ1

High Rate: 1.145% Investment Rate 1/: 1.171% Price: 99.984

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 51.36%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 38,405,000	$ 10,000,160
Noncompetitive	0	0
FIMA (noncompetitive)	0	0
SUBTOTAL	38,405,000	10,000,160
Federal Reserve	0	0
TOTAL	$ 38,405,000	$ 10,000,160

Median rate 1.120%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 1.100%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 38,405,000 / 10,000,160 = 3.84

1/ Equivalent coupon-issue yield.

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PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 8, 2003
JS-362

Testimony of
Wayne A. Abernathy
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

Good morning Chairman Bachus, Ranking Member Sanders, and members of the subcommittee. It is an honor to appear before you today. There could hardly be a more important subject to consider than the information infrastructure of our financial system. So much of the economy, and the welfare of every participant in the economy, is dependent on getting the legal structure of that system right.

In 1996, the Congress undertook an experiment, to determine whether uniform national standards for financial information sharing was the right approach. These uniform standards were embodied in the provisions of the Fair Credit Reporting Act (FCRA). Those provisions are scheduled to sunset at the end of this year. It is therefore appropriate now that Congress evaluate the results of that experiment. We are eager to participate in that evaluation as we develop Administration policy.

To begin with, since the FCRA experience with uniform national standards began, we have witnessed significant increases in the availability of credit to Americans. It is the impact of the legislation on Americans—consumers and businesses—that should guide us in our considerations. We should keep in mind that all Americans have two interests at stake in this matter: an interest in access to credit and other financial services, and an interest in the security of their personal financial information. As Congress reviews these uniform standards, these two interests need to be weighed and taken together and accommodated. I believe that they can be.

In this evaluation, we would suggest considering the following questions:

• Do uniform national standards facilitate or harm the fight against identity theft? Can greater progress against the crime be made with or without uniform national standards for information sharing?
• Do uniform national standards strengthen or undermine the security of personal financial information?
• Do uniform national standards reduce or increase the costs to consumers of financial services?
• Do uniform national standards bring more or fewer people into the mainstream of financial services?
• To what extent do uniform national standards lead to an increase or decrease in the variety of financial services offered to consumers?
• To what extent do uniform national standards help or hinder job creation?
• Is small business development helped or harmed by uniform national standards?
• What would be the impact on unwanted customer solicitations if the uniform standards expired? To what extent are such solicitations facilitated by uniform national standards?
• In short, what costs or benefits to the economy as a whole can be attributed to uniform national standards for information sharing, and what would be the

economic impact if they were allowed to expire?

Undoubtedly, there are other questions that should be examined.

At Treasury, one area that we have been particularly concerned about is the role that FCRA uniform national standards play in the fight against identity theft. The importance of this concern can be understood by a brief review of the nature of the crime.

Identity theft is one of the fastest growing crimes in America. By some estimates, there will be as many as one million new victims this year, with many times that number already in the ranks of sufferers.

In a recent national survey of homeowners, 12% reported having been casualties of identity theft, and 22% reported knowing family, friends, or acquaintances who have been. It is hard to think of another crime that has touched such a large portion of Americans. In that same survey, 90% said that they were concerned that they might be a target of identity theft. A separate survey recently found that Americans are more concerned about becoming a victim of identity theft than they are of losing their job. No wonder that 83% believe that the government should take steps to fight the crime.

Many suffer from the unauthorized use of their own legitimate credit card. This is one of the milder versions of the crime, and today perhaps the most common. Fortunately, it is also an aspect where great progress has been achieved in fighting it. As long as the consumer is diligent and promptly reports lost or stolen cards or unauthorized charges, the direct liability to the card holder is zero.

The Truth in Lending Act sets the maximum loss at $50, but credit card companies have found that there are great benefits in consumer confidence from eliminating all liability for the innocent victim. The loss still occurs, though, and it adds up to billions each year, ultimately born by all card users in higher prices and higher interest rates.

Credit card companies also have elaborate and well-designed information-sharing systems in place, neuronetworks, that monitor customers' accounts and quickly notify them of charges that are out of the ordinary, such as purchases outside the customers' normal buying patterns or far from home. This is an important deterrent to this type of identity theft. Other financial sectors are working on deterrents appropriate for their business. Much more needs to be done.

The crime occurs in great variety. As I speak, somewhere, someone is using someone else's good name to engage in fraud, to steal from a furniture store, rob a bank account, engage in stock swindles, write bad checks, run up huge phone bills, escape gambling debts, shield illegal drug deals, create false résumés, impersonate doctors or other professionals, destroy reputations.

Do not look for patriotism among identity thieves. When our soldiers, sailors, and airmen move to the front lines to engage the enemy, the identity thieves are ready to take advantage of their absence to steal their identities to commit fraud. I would guess that the soldier in the Third Infantry Division in Baghdad is not giving much thought to his bank account, or worrying about his credit cards, certainly not looking at his financial statements. But the fraudster is paying attention, for he knows that the fraud could go undetected for a long time, unless friends and family are vigilant, on the watch here at home over the financial affairs of the service man and woman overseas.

Not even the dead are immune from identity theft. Necrolarceny is one of the more repulsive, but not uncommon, faces of the crime. Thieves scan the obituaries and gather the information provided there to impersonate the deceased. From the obituary, the thief harvests a wealth of knowledge: the full name, a maiden name, age, names of family members, possibly education and charitable activities—all types of information that the thief can draw from to impersonate the deceased and, possibly, other family members. And closing down financial accounts is not usually high on the To Do List of bereaved family members. Yet there may be a tragic surprise awaiting when a will reaches probate and the family members learn how financially active their mother was in the days and weeks following her death.

No one sitting in this hearing room is immune from identity theft. Undoubtedly, there are many here who have been victimized or know someone who has. There may be some here who are being victimized right now and won't know of it for several more weeks or months.

Perhaps someone is dumpster diving, going through your trash to get important bits of information about you or your accounts. Perhaps someone will call, impersonating a government employee, asking to "verify" some of your personal data in order to continue to send you your Social Security check or veterans benefits. Maybe you will be snared by a supposedly "free" service on the Internet, that only needs your name, address, date of birth, and so on, in order to provide you with access to the free service.

Arguably, the most virulent form of identity theft occurs where the crook takes your good name and uses it to open new accounts that you know nothing of, with the statements going to places you have never been, so that weeks and months pass without your knowledge of the fraud. The crook may even keep up minimum payments for a time until he can max out on the credit limits. Then he disappears, the payments stop and the creditors come looking. But they don't find the crook. They don't look for the crook. They look for you. And you discover the fraud when you can't pay for your dinner because your charge will not clear. Your home equity loan is turned down because there already is a lien on your house. You lose your job, because, though your boss is very sorry and thought you were an exemplary employee, he can't have someone in such a sensitive job who has such a poor credit history.

And then you will see perhaps the most painful face of all the many faces associated with the crime of identity theft, the face of the victim. Where do you go? How do you begin to clear your name? How do you convince creditors all around the country that you never made those transactions, that there must be some mistake? Do you turn to your local police department? They might fill out a police report, but victims report that many do not. What can the local police do about it anyway? The crime took place in Bigtown, not in your home town. Will the Bigtown police take up the case? Maybe, but you live in Virginia. Who will handle a case for a victim living in Charlottesville, for fraudulent transactions made in Miami, Denver, and San Francisco, with money borrowed over the Internet from a bank headquartered in Philadelphia? Crooks have long sought to exploit State lines to avoid punishment.

The General Accounting Office reports that it can take victims as many as 175 man hours to clear their name and their records. That would be the equivalent of more than one full month of 8-hour days, five-day work weeks of full-time work. Of course, that is spread out over time, over months and sometimes years, with thousands of dollars of expenses.

What role have the uniform national standards in the FCRA played in the fight against identity theft? What role might they play? Are they more likely to cause the crime, or can they be enlisted in the fight against it?

The answer lies in information. Information is what the FCRA is all about. So, first of all, we need to consider the role of information in identity theft. Certainly the crook uses information. He uses information to craft a mask, as much in the likeness of his victim as he can make it. What steps can we take, if any, to deny the thief the information tools he needs to make his mask? In answering that question, what tools can we find to fight the crime?

But does it end there? In what way might we be able to put information to work to fight the crime? If the merchant or banker knows more about his customer than the thief does, can we unmask the crook and prevent a loss from occurring? If information about the thief can cross state lines faster than he can, might we enable the sheriff to meet the thief at his next stop?

And what role does information play in restoring the records of victims? Are uniform standards contributing to placing bad information on consumer records? Can they be harnessed in the effort to eradicate the false information?

As we consider the uniform standards for information sharing under the FCRA, we anticipate working with you to consider how this review can help in the crucial fight against identity theft.

So, as I said in the beginning, whether considered from the impact on each family in America, or on the economy as a whole, there could hardly be a more important inquiry than the one you begin today. We are eager to join with you in that review. It is vitally important that we get the answer right.

Thank you. I will now be pleased to answer your questions.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 8, 2003
2003-5-8-18-32-10-27759

Treasury Department Applauds Defense Department Efforts to Improve Financial Education of Armed Services and Civilian Employees

The Treasury Department's Office of Financial Education today formally recognized the Department of Defense for its exemplary efforts to improve the financial knowledge and skills of the U.S. armed services personnel and the Department's civilian employees.

"The Defense Department's Financial Readiness Campaign is a model program for financial education," said Treasury Deputy Assistant Secretary for Financial Education Judy Chapa at a Treasury event launching the Defense Department's campaign. "It contains the critical components necessary for a successful financial education program and we commend the Department for its efforts."

The Treasury Department's Office of Financial Education, established in 2002, seeks to ensure that all Americans have access to financial education programs. The Office works to ensure that people can gain the practical knowledge and skills that they need to make informed financial choices throughout various life stages. It focuses on four key areas: basic savings, credit management, homeownership and retirement planning.

"A solid knowledge of financial management is one of the most important tools that we can give to all Americans, particularly our children, our retirees and our recent immigrants," said Treasury Under Secretary for Domestic Finance Peter R. Fisher. "A successful financial education program is one that will produce measurable results, and ensure a better future for hard-working families."

The Office helps oversee Treasury's financial education policymaking and coordinates financial education initiatives within the Department and all of its bureaus. The Office also works with many federal government agencies involved in financial education, and chairs the Federal Government Financial Education Coordinating Group. The Office, part of Treasury's Office of Domestic Finance, is headed up by Deputy Assistant Secretary Judy Chapa.

More information about Treasury's Office of Financial Education is available at www.treasury.gov

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PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 9, 2003
2003-5-9-7-43-22-6498

Remarks of Under Secretary for Domestic Finance Peter R. Fisher to The Stanford Institute for Economic Policy Research's Conference on U.S. Budget Policy and Practice Washington, DC

Tonight I am not going to try to expand your understanding of the federal government's financial position. Many of you have spent all day, and some of you distinguished careers, refining our grasp of these issues. There is little I can add. I am, however, going to ask you to turn your attention to practical solutions here in Washington, to help turn your insights into action.

To put the federal government's finances on a sustainable, long-run path, we need to expand the economy more rapidly than we increase future federal outlays. This is easily said. As everyone here this evening knows, the particular challenge is that outlays are already scheduled to increase rapidly in the coming decades to pay for the collective retirements and health care of my generation.

How to expand our economy is the subject of active political debate. Many of us recommend that we enhance incentives for private savings and investment. After all, we must pay for our collective retirements either by saving and investing more than we now do or by reaching lower standards of living in the future than we could have. Removing the current distortions and biases of the tax code would be a good first step. Others see the matter differently and have their own ideas. But at least the issue is joined.

How to constrain the growth of future federal outlays does not get equal time in our national debate. Many condemn current budget deficits and urge greater fiscal discipline. But we rarely debate practical ideas for how to create incentives to restrain future federal outlays.

Unfortunately, we do not simply need "stronger" or "better" incentives for fiscal discipline; we must overcome the current perverse incentives which impede reforms that could move us toward real fiscal balance.

I have previously tried to illustrate the perversity of the federal government's reliance on cash accounting in a couple ways. You can think of the federal government as a gigantic insurance company which only does its accounting on a cash basis - only counting premiums and payouts as they go in and out the door and ignoring its accrued liabilities to policy holders. That's what might be called an accident waiting to happen. Alternatively, one may think of guiding our way to fiscal balance by looking only at debt and deficits as being like driving a car while looking only in the rear-view mirror.

Permit me to try one more illustration of our problem. Imagine a family that thinks only in terms of cash accounting. The family has a checking account with overdraft protection which provides that unpaid balances at the end of the month are swept into a home equity loan. And they have a mortgage. Some months they run no overdrafts but most months they do and these

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are added to the home equity loan. Our family is at ease because even though the home equity loan tends to grow each month, it is still reasonable compared to their income and the value of their home.

Unfortunately, this picture ignores many of their most important financial commitments: their car lease, the promise to pay for the children's college education, the expected bills for the orthodontist, a wedding or two, and their commitments to charities. And it overlooks their retirement needs.

If our family ignores the totality of their future financial commitments, and only recognizes them on a cash basis as they drain current monthly income, they cannot understand their real financial position. With this limited knowledge, they may even be tempted to try to improve their monthly cash flow by adding to their future liabilities. Refinancing with a larger mortgage, perhaps with "cash out," will improve monthly income on a cash basis, but further leverage the family's real financial position.

Most of us would recognize that this family is in need of serious financial advice. The federal government is not so different. Both need a forward-looking understanding of their financial commitments. Both are caught in a backward looking framework, focusing excessively on their deficit of current income and the debt they incur to finance those deficits. Both ignore the future obligations they have incurred which will eventually become current expenses. Both need a good lesson in accrual accounting and net present value.

Now, in fairness, the federal government is not as badly off because some members of the federal family - and our friends in academia - have been hard at work for many years trying to bring greater insight and discipline to bear.

Over the last twenty years, much has been done to frame demands for future federal outlays with more rationality and foresight, beginning with Gramm-Rudman-Hollings in 1985 and 1987, the Credit Reform Act of 1990, the Budget Enforcement Act of 1990, and the Government Management Reform Act of 1994, which mandated accrual statements for the government, reported in the annual Financial Report of the United States Government. In addition, scholars have made great advances in measuring our true fiscal position - likely revenue sources, the scale of the entitlement liabilities, and generational accounting - as your conference today exemplifies.

Thanks to your work, we do not want for concepts and ideas about how to value and measure the federal government's financial position. We can all now imagine better ways for the legislative and executive branches to understand the government's liabilities and likely revenues.

Yet more needs to be done.

In 1862, President Lincoln succinctly articulated the challenge of governance when he wrote Congress: "It is not 'can any of us imagine better' but, 'can we all do better?'"

It is not enough for us to imagine a better way of accounting for the federal government's liabilities. Accrual accounting, net-present value analysis, and generational accounting are powerful concepts and we must continue to refine them and make more people aware of them. But we now need to find practical ways to inject these concepts into the political, legislative, and administrative process, to re-shape the day-to-day incentives for policymakers - to help us "all do better."

We need to devise a political process that forces demands for future federal outlays to be prioritized under some measure of forward-looking resource constraints, while rewarding ideas that grow the economy. We need to find ways to provide members of Congress with coherent forward-looking measures of the fiscal impact of legislative proposals - before they have to vote.

Previously, I have suggested that we may need a total liability pay-go even more than we need a budget pay-go. This is a good turn of phrase, but I come up short in suggesting how we might actually do this.

All of us, whether from the academy, the private sector, or the corridors of Washington, are here tonight because we recognize the importance of tackling our fiscal challenge. You have articulated the defects of cash accounting and the promise of forward-looking fiscal measures. Please now help turn these concepts into the tools and incentives for better decision making in Washington.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 10, 2003
2003-5-10-9-47-39-24249

Commencement Address by Treasury Secretary John W. Snow at the University of Toledo, Toledo, Ohio

Good morning. Thank you, Joan (Browne, Chair of the Board of Trustees) for that lovely introduction. It's great to be back at the University of Toledo, my alma mater, and it's great to be back in my hometown, with such a warm welcome.

First of all, my heartiest congratulations to you the graduates. But I understand one thing very clearly; a commencement speaker is the last thing to stand between you and your degree, so I know my duty well. At many commencements, speakers go on and on with a result much like the winds of the desert that blow constantly without doing any good. Some of my graduations went like that, bringing to mind the comment of a forlorn speaker who apparently went on too long too often as he said "I don't mind people looking at their watches when I am speaking, but I do take strong exception when they start shaking them to make certain they are still going." This is a great day for you the graduates, your friends, parents and loved ones.

Some of you probably thought you would never make it here. You've worked hard in class to earn your grades, and many have worked hard outside of class to earn a living and support yourself. Some of you are supporting families as well, and depending on your families for support. Some are the first in your family to go to college.

I can see there are a lot of proud parents today. Some are looking up here with mixed emotions: joy, relief, concern for the future.

I know how it is. One of the reasons I came to the University of Toledo was because I was able to get a job here in Toledo, so I could pay for my education. And it was worth it.

It will be worth it for all of you. You've shown commitment and perseverance and you've made it here. You've made it to your commencement. After all that, you've made it to... the beginning.

It's a bit daunting, isn't it? All that work just to get to the beginning. And believe me, this really is the beginning. You have so much ahead of you, and it doesn't get any easier. But the good news is that it doesn't get harder either. Here's the reason: the same values that got you to this commencement will get you anywhere you want to go. Be sure to set your sights high.

I'm talking about hard work, perseverance, integrity, and commitment to your goals. One of the great things about this country is that if you commit yourself to a purpose, you can achieve it, no matter what your background. You've already proven that. And all the education you have absorbed – it's not about showing a degree on your résumé, or your office wall – it's about learning how to solve problems; learning how to learn. The learning never stops, for as long as you want to move forward in life.

As an illustration of that, let me mention Alan Greenspan, the eminent chairman of the Federal Reserve, a man noted for his deep erudition and mastery of financial matters. In talking with Alan some years back, he told me he had gone back to the books, the mathematics books, and he would be working hard to master some elements of mathematical theory. He explained that he felt compelled to do so because of the development of the derivatives market, which had taken on far

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reaching significance in the financial world. Alan explained that derivatives were becoming a bigger and bigger part of what the Federal Reserve System needed to be concerned about. And derivative, which is really sophisticated hedging on risks, is based on a system of underlying set of mathematical constructs. Now think of that, the Chairman of the Federal Reserve Board, who years ago got a PHD in economics, and one of the leading financial figures in the world, going back to the books. But that is the world we are in, that is the world you are entering, so you can never be satisfied with what you know, but rather must draw strength from what you have learned about how to learn.

Let me put it this way: there's no roadmap for success. But you do have to know how to drive. And it doesn't hurt to know how to change a flat tire once in a while. You've earned your driver's license; you've gassed up the car. It's time to hit the road.

Now, I know that road gets rough sometimes, so I want to talk to you about commitment: commitment to your values, commitment to your family, and commitment to your country.

All of you have shown a great capacity for commitment, graduating from college. Some of you have completed advanced degrees as well. Think back on all the work that went into that. Not only at Toledo, but also in the years before you started here. How many times did you have to dust yourself off, overcome hardship, and push ahead? Achievement requires commitment, and that starts with a commitment to your values.

If you believe in yourself, you'll take intelligent risks. Success doesn't come from avoiding failure; it comes from daring to succeed. Sometimes that means saying "yes" when everyone else says "no." Take a chance, and confound the cynics. Grab your opportunity. Do what you want to do, not just what you are supposed to do.

Recently I had dinner with Donald Rumsfeld and his wife and we were talking about this very subject. I asked Secretary Rumsfeld about his early interests and inclinations, he said he had always tested well in math and science and was urged on in those pursuits, but that his real interests were elsewhere in government, politics and business. Now there is a case of individuals following their interests and talents to great advantage.

Other times it means saying "no" when everyone else says "yes." Stand up for what you believe in, including yourself. Articulate your principles. You'll be surprised how much people will respect you for it and what might happen as a result. I am a living example of that. After serving in the Ford Administration, I went to work for the Chessie system railroad as their Washington Vice President. I was not really inclined to go to Chessie, as my career had been as a lawyer and my first reaction was to say "no" to the opportunity. The President of the company Hays Watkins persisted and urged me to join the company. I told him that I was close to joining a major law firm and I could make Chessie my first client. He said no, you need to work for the company to get the job done, and commented that if it doesn't work, you can always go back to practice law. I took his counsel and joined the company. Several years later, I was called to Cleveland, the headquarters of the company, for a meeting of the senior management to review legislative proposals to deregulate the railroad industry. Mr. Watkins asked me to take the group through the proposals outlining the various issues, which I did. At the end of my presentation and the discussion that ensued, he said to the group that it was time to decide where we wanted to go and he turned to me first and said, " John, should we support these deregulation proposals?" I said that it was important to modernize the regulatory framework, I recognized there were risks, but thought they were worth taking. He went around the table, where I was the junior person. First, one of the senior officers, and then another, voiced their criticism and voted no. Vote after vote went no, until the vote was ten against one. I wondered if Mr. Watkins remembered his commitment that I could leave and practice law if things didn't work out. Mr. Watkins then said," I guess it's my turn to vote, and I vote with John." So like Lincoln's cabinet, the vote carried two to ten. And about ten years later I succeeded Mr. Watkins as CEO of the company.

Another level of commitment you can never forget is commitment to your family. They got you here, and they'll support you the rest of the way. Make sure the people you love can depend on you the way you can depend on them. Another bit of counsel I would give you is to cherish your friends and nurture those friendships. We all need people in our lives with whom we can be genuine and truly sincere -- people with whom we can think aloud and there may be no better definition of friendship than that. And remember always Emerson's observation that the only reward for virtue is virtue and the only way to have a friend is to be one.

Finally, make a commitment to your community. I grew up in Toledo, and I saw this city go through some hard times. The industries that built this city were hit hard and we lost a lot of jobs. But just like a person sometimes has to remake him or herself through change and education, people remake their city, and this University has been at the forefront of that revitalization in Toledo. University of Toledo programs and Toledo graduates have made a major contribution, and you are already a part of that.

Remember that this city, or whatever community you choose to make your home in the United States or even beyond our borders, is made up of people like you. Community dilemmas, national debates, even international conflicts are not about other people. They are about you. Show some interest and make a difference. You don't have to be a politician to be a leader. Set an example of caring about others, and others will follow your example.

As you do that, I would also suggest you remember those good souls who were your professors here. If they were at all like my professors, forty years ago, when I attended the university, they were great people who gave their all, and cared about their students deeply. Teaching is a noble calling. A teacher effects eternity and no one can tell where their influence stops. It was through my teachers here many years ago, that I discovered a lifelong interest in economics, a field I have now returned to after a long absence, holding a postion that would have been impossible without them. I am often asked what it is liked to be the treasury secretary, I am not sure I have a real good answer. The best I have been able to come up with is that it is like playing a violin, solo, in public, and learning the instrument as you go along. I thank those university of Toledo professors from any years ago, who helped put me in the position many years ago to do that.

Now, before I let you go, I know you're hoping to hear about one more thing from your Treasury Secretary: jobs. It's a tough market out there. We're working on it. President Bush's team has been promoting a plan that we think will create a lot of new jobs in this country over the next few years, by giving businesses and individuals greater incentives to invest. It's in Congress now, and we're hoping for a successful resolution in the next few weeks.

But no matter what the government's policies, in America, you can always take charge of your own future. I don't know anyone who hasn't faced rejection in his or her life. It never goes according to plan. The biggest difference between the folks I know who have succeeded and those who have not is that the successful ones have stayed optimistic, stayed hopeful, and kept on driving.

In closing, I am reminded of the noble words of Alfred Lord Tennyson when he talked about the human spirit, faced with challenged and adversity. We are what we are, he said, made weak by the struggles we face, but remaining strong and determined in the face of it all. So that we continue always "to strive, to seek, and to find and not to yield" that is what you have done here at the University of Toledo and I commend you for your accomplishments and urge you on for the next set of challenges and opportunities that lie ahead.

Again, congratulations to all of this year's University of Toledo graduates, your families and your teachers. You are ready for big things. Go do them.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 12, 2003
2003-5-12-18-45-2-2515

Treasury Department Names Becky Relic as Deputy Assistant Secretary for Public Liaison

The Treasury Department today announced that Becky Relic has been appointed as Deputy Assistant Secretary for Public Liaison in the Office of Public Affairs.

In this position, Relic will direct Treasury Department outreach to the business, advocacy and financial community – including Wall Street - advising Treasury Secretary John Snow and the agency's leadership on issues and policies pertaining to these key constituencies. She will elicit information, analysis, and opinions from public and private organizations representing business and consumer interests, and will communicate Treasury and the Bush administration views to these organizations.

Relic has a wide range of federal public policy and liaison experience in Washington, especially with regard to tax, labor and international policy issues. Immediately prior to this appointment, Relic served as the Director of the Washington, DC office of McDonald's Corporation, where she was responsible for managing all federal political, legislative, and regulatory affairs for the company.

Previously, Relic managed federal relations for the National Association of Wholesaler-Distributors, and before that the Society of American Florists. She has also worked in the finance department of the National Republican Congressional Committee, and for Congresswoman Nancy L. Johnson (R-CT).

Relic earned her degree in communications from DePauw University.

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PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 12, 2003
2003-5-12-16-58-22-1021

Treasury Secretary Snow Statement at the Ceremony for the Exchange of Instruments of Ratification for the Protocol Amending United States and Australia Income Tax Convention

Today Treasury Secretary John Snow and Michael Thawley, Ambassador of Australia, exchanged instruments of ratification for the Protocol amending the United States – Australia Income Tax Convention. This exchange of instruments will bring the Protocol into force today. The Protocol, which was signed in Canberra in September 2001, amends the existing tax treaty between the United States and Australia concluded in 1982.

At the ceremony, Treasury Secretary John Snow delivered the following remarks:

I would like to thank you all for being here today and to welcome our friends from the Australia, especially Michael Thawley, Australia's Ambassador to the United States.

Ambassador Thawley and I have the privilege today of exchanging the instruments of ratification to bring into force a Protocol that amends the income tax treaty between the United States and Australia. The U.S.-Australia tax treaty relationship has served the intended purpose of eliminating tax barriers to cross-border trade and investment. But we can always make improvements and this Protocol will make our treaty relationship even better. The provisions of this Protocol represent significant advances that will further eliminate tax barriers and thus facilitate trade and investment between our countries.

The Protocol that will enter into force today brings the existing treaty into greater conformity with U.S. tax treaty policy, while also reflecting some provisions found in the Australian model tax treaty. The Protocol reflects the ever increasing importance of international activity to both our economies.

This Protocol is only the second tax agreement of the United States that completely eliminates cross-border withholding taxes on certain dividends paid by subsidiaries to their parents. The Protocol also is notable for the substantial reductions in source-country withholding tax it provides for royalties and for certain interest payments. This broad reduction in the full range of withholding taxes will help remove one of the remaining tax barriers to investment between the United States and Australia.

Today's exchange of instruments of ratification marks the entry into force of the Protocol amending the tax treaty between the United States and Australia. Thank you, Ambassador Thawley, for your participation in this important event.

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PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

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May 12, 2003
2003-5-12-14-15-26-29074

Treasury and Banking Regulatory Agencies Submit Draft Legislative Language on Deposit Insurance Reform to Senate Banking Committee

The Treasury Department, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Office of Thrift Supervision today submitted draft legislative language on deposit insurance reform to the U.S. Senate Banking Committee.

The five agencies drafted the legislative language in response to a request from Senate Banking Committee Chairman Richard Shelby at a February 26, 2003 Committee hearing on deposit insurance reform. Chairman Shelby requested that the five agencies work in cooperation to develop language that would best reflect the consensus presented in the agencies' testimony.

Attached are the draft legislative language, a cover letter to Chairman Shelby, and a summary of the draft proposal.

Related Documents:

- Legislative Proposal
- Cover Letter
- Summary of Proposal

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A BILL

To reform the federal deposit insurance system and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE

This Act may be cited as "The Federal Deposit Insurance Reform Act of 2003".

SEC. 2 MERGER OF DEPOSIT INSURANCE FUNDS

(a) IN GENERAL-
  (1) ESTABLISHMENT OF DEPOSIT INSURANCE FUND – Pursuant to Section 11(a)(4)(A) of the Federal Deposit Insurance Act, as amended by this Act, there is established a fund to be known as the Deposit Insurance Fund.
  (2) MERGER – The Federal Deposit Insurance Corporation shall merge the Bank Insurance Fund and the Savings Association Insurance Fund into the Deposit Insurance Fund.
  (3) DISPOSITION OF ASSETS AND LIABILITIES – The Federal Deposit Insurance Corporation shall transfer all assets and liabilities of the Bank Insurance Fund and the Savings Association Insurance Fund to the Deposit Insurance Fund.
  (4) NO SEPARATE EXISTENCE – The separate existence of the Bank Insurance Fund and the Savings Association Insurance Fund shall cease upon establishment of the Deposit Insurance Fund.

(b) REPEAL OF OUTDATED MERGER PROVISION – Section 2704 of P.L. 104-208 (the Deposit Insurance Funds Act of 1996) (12 U.S.C. 1821 note) is repealed.

(c) EFFECTIVE DATE- This section shall be effective on the first day of the first calendar quarter that begins after the end of the 90-day period beginning on the date of enactment of this Act.

SEC. 3 ASSESSMENTS; DESIGNATED RESERVE RATIO

(a) Section 7(b)(2)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(2)(A)) is amended as follows:

(1) By striking clause (i) and inserting the following:

"

(i) IN GENERAL.

(I) SENSE OF CONGRESS - It is the sense of the Congress that the Corporation should assess each insured depository institution for the benefits of federal deposit insurance;

(II) ASSESSMENTS - After considering the factors in clause (ii), the Board of Directors shall set assessments for insured depository institutions in accordance with this section. ”

(2) By striking clause (iii) “LIMITATION ON ASSESSMENT”.

(3) By redesignating existing clause (iv) as clause (iii) and amending it as follows:

“(iii) DESIGNATED RESERVE RATIO DEFINED- (I) IN GENERAL-- The designated reserve ratio of the Deposit Insurance Fund for each year shall be-

(aa) 1.25 percent of estimated insured deposits; or
(bb) a percentage between 1.15 percent and 1.50 percent of estimated insured deposits, as the Board of Directors determines is justified for that year, taking into account the factors in subclause (II).
(II) FACTORS - In establishing the designated reserve ratio under subclause (I), the Board of Directors shall take into account -

(aa) the risk of losses to the Deposit Insurance Fund during that year and future years;
(bb)economic conditions generally affecting or likely to affect insured depository institutions with the goal of allowing the designated reserve ratio to increase under more favorable economic conditions and to decrease under less favorable economic conditions;
(cc) the desirability of avoiding sharp swings in the assessment rates of insured depository institutions; and
(dd) other factors that the Board of Directors deems appropriate.”

(4) By adding the following new clause (iv) and striking existing clause (v):

“(iv) NOTICE AND COMMENT- The Board may determine the designated reserve ratio pursuant to clause (iii)(I)(bb) of this subparagraph only by regulation after notice and public comment and no more than once annually.”

(c) EFFECTIVE DATE – The amendments made by this section shall take effect on the date that the final regulations required under section 6 of this Act become effective.

SEC. 4 RAISING THE RESERVE RATIO TO THE DESIGNATED RESERVE RATIO

(a) Section 7(b)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(2)) is amended as follows:

(1) By striking existing subparagraph (B) and redesignating existing subparagraph (C) as subparagraph (B).

(2) By redesignating subparagraph (E) as subparagraph (C) and amending it as follows:

"(C) MINIMUM ASSESSMENTS - The Corporation shall design the risk-based assessment system for the Deposit Insurance Fund so that, if the Corporation has borrowings outstanding on behalf of the Fund under section 14(a) or (b) of the Federal Deposit Insurance Act (12 U.S.C. § 1824(a) and (b)), or if the Board of Directors is required to set assessment rates pursuant to paragraph (3)(A)(ii) of this subsection, the minimum assessment rate in the risk-based assessment system, after application of any assessment credits provided under section 7(e)(2), shall be no less than 5 basis points for each insured depository institution."

(3) By striking subparagraphs (F) and (G) and redesignating existing subparagraph (H) as subparagraph (E).

(b) Section 7(b)(3)(A)-(C) of the Federal Deposit Insurance Act (12 U.S.C. § 1817(b)(3)(A)-(C)) is amended to read as follows:

"(3) SPECIAL RULE FOR RECAPITALIZING UNDERCAPITALIZED FUND

(A) IN GENERAL – If the reserve ratio of the deposit insurance fund is less than the lower bound of the range for the designated reserve ratio under paragraph (2)(A)(iii)(I)(bb), the Board of Directors shall set assessment rates -

(i) that are sufficient to increase the reserve ratio for the Fund to the lower bound of the range for the designated reserve ratio not later than 1 year after such rates are set; or

(ii) in accordance with a recapitalization schedule promulgated by the Corporation under subparagraph (B).

(B) RECAPITALIZATION SCHEDULES. For purposes of subparagraph (A)(ii), the Corporation shall, by regulation, promulgate and implement a schedule that specifies, at semiannual intervals, target reserve ratios for the Fund, culminating in a reserve ratio equal to the lower bound of the range for the designated reserve ratio not later than 6 years after the date on which the recapitalization schedule is implemented."

(c) EFFECTIVE DATE – The amendments made by this section shall take effect on the date that the final regulations required under section 6 of this Act become effective.

April 30, 2003

The Honorable Richard C. Shelby
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Shelby:

During the recent hearing before your committee, you asked us to work in cooperation to develop legislative language on deposit insurance reform that would best reflect the consensus presented in our testimonies. The enclosed draft bill is the successful result of those efforts.

As you noted at the hearing, we began with a great deal of agreement on the important elements of reform and also some less important differences. But in a strong cooperative spirit, each of us went to some lengths to understand and accommodate each other's views.

The draft legislative language that we are submitting to you represents a consensus of the interests and concerns expressed by the five agencies. And while we each have our preferences as we presented in our testimony, each of us would be pleased to see the bill we submit to you today enacted into law.

Thank you for giving us the opportunity to advance the cause of real deposit insurance reform. We look forward to working with you and the Congress on this important matter in the days ahead.

Sincerely,

Alan Greenspan
Chairman
Board of Governors of the
Federal Reserve System

Donald E. Powell
Chairman
Federal Deposit Insurance Corporation

John D. Hawke, Jr.
Comptroller
Office of the Comptroller of the Currency

James E. Gilleran
Director
Office of Thrift Supervision

Peter R. Fisher
Under Secretary for Domestic Finance
Department of the Treasury

Enclosure

Section by Section Summary of the Consensus Proposal on Deposit Insurance Reform

Section 1. **Short Title**. "The Federal Deposit Insurance Reform Act of 2003."

Section 2. **Merger of Deposit Insurance Funds**.

Currently, the FDIC separately administers the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). Pursuant to this bill, the FDIC would merge BIF and SAIF effective on the first day of the first calendar quarter that begins 90 days after enactment and simultaneously establish a new federal deposit insurance fund. The new insurance fund formed from the merger of BIF and SAIF would be known as the Deposit Insurance Fund (DIF).

Section 3. **Assessments; Designated Reserve Ratio**.

The bill retains the current statutory authority for the FDIC to establish a risk-based assessment system and the current factors that FDIC must consider in setting assessments (operating expenses, case resolution expenses and income, the effect of assessments on institution earnings and capital, and other factors as FDIC deems appropriate).

Current law directs the FDIC to set assessments "when necessary, and only to the extent necessary" to maintain, or restore the reserve ratio to, the designated reserve ratio (DRR). In general, current law prohibits the FDIC from assessing institutions more than the amount needed to maintain the reserve ratio at the current DRR or increase it in the event it falls below the DRR. There are exceptions to this prohibition for institutions that exhibit financial, operational, or compliance weaknesses, or that are not well capitalized. The bill would eliminate these limitations and prohibitions on FDIC assessment authority, and would add a Sense of the Congress that the FDIC should assess each insured depository institution a premium for the benefits of federal deposit insurance.

Current law defines the DRR as 1.25 percent of estimated insured deposits, or such higher percentage as set by the FDIC by regulation, after notice and comment, for a particular year if the FDIC finds a "significant risk of substantial future losses to the fund." The bill would define the DRR as 1.25 percent, or as another percentage between 1.15 percent and 1.50 percent that the FDIC determines is justified after taking into account: (1) the risk of loss to the insurance fund, (2) economic conditions (with the goal of allowing the DRR to rise under more favorable economic conditions and fall under less favorable conditions), (3) the desirability of avoiding sharp swings in assessment rates, and (4) other factors that the FDIC deems appropriate. The FDIC would have to act by regulation to adjust the DRR, after providing notice and seeking public comment, and could not adjust the DRR more than once per year.

Section 4. **Raising the Reserve Ratio to the Designated Reserve Ratio**.

When the reserve ratio is less than the DRR, current law requires the FDIC to set assessments as necessary to increase the reserve ratio to the DRR within one year after such rates are set, or in accordance with a recapitalization schedule established by FDIC regulation. Under a recapitalization schedule established under current law, the FDIC would promulgate target reserve ratios at semiannual intervals and must ultimately reach the DRR no later than 15 years after the schedule is implemented. If an insurance fund's reserve ratio remains below the DRR for more than one year, or if an insurance fund has borrowings outstanding (including Treasury and Federal Financing Bank borrowings), current law requires that FDIC charge an assessment rate of at least 23 basis points.

In place of these provisions in current law, the bill would give the FDIC broad discretion to manage reserves within the range for the DRR established under Section 3. The bill would provide that if the reserve ratio is below the lower bound of the range for the DRR, the FDIC shall set assessments that are sufficient to increase the fund to the lower bound of the DRR range not later than: (1) one year after such rates are set, or (2) in accordance with a recapitalization schedule established by regulation that culminates in the fund reaching the lower bound of the DRR range within 6 years. If the FDIC has borrowings outstanding from its lines of credit with the Treasury or Federal Financing Bank, or if a recapitalization schedule is in effect, the minimum premium rate in the risk-based assessment system would have to be no less than 5 basis points, after application of any assessment credits (as provided under Section 5), for each insured depository institution.

<u>Section 5</u>. **Assessment Credits and Cash Rebates.**

The bill would require that FDIC establish, by regulation, criteria and procedures for awarding credits to offset an insured institution's prospective deposit insurance assessments.

The bill would authorize the FDIC to award transition assessment credits in an aggregate amount equal to 9 basis points of the combined BIF and SAIF assessment base on December 31, 2002, an amount equal to approximately $4.4 billion. Institutions eligible for these transition credits are those insured depository institutions that were in existence on December 31, 1996, and that paid a deposit insurance assessment prior to that date, as well as their successor institutions. The amount of credit to be awarded to each eligible institution would be based on the assessment base of the institution on December 31, 1996 compared to the aggregate assessment base for all such institutions on that date, and such other factors as the FDIC may determine to be appropriate.

Under the bill, the FDIC could also award additional assessment credits if the reserve ratio exceeds the greater of the DRR or 1.25 percent. In establishing the amount of additional credits for each individual institution and in the aggregate, the FDIC would have to take into account: (1) the factors for setting assessments and the DRR, (2) the ratio of each institution's (including any predecessor's) assessment base as of December 31, 1996 compared to the aggregate assessment for all such institutions on that date, (3) previous deposit insurance assessments levied with respect to the insured depository institution (including any predecessor) on or after January 1, 1997, (4) that portion of assessments levied that reflects higher levels of risk assumed by such institution, and (5) other factors as the FDIC deems appropriate.

In addition, the FDIC could, in its sole discretion, choose to provide cash rebates in lieu of all or part of any additional assessment credits that would otherwise have been provided, but only if (1) the reserve ratio exceeds the upper bound of the range for the DRR and (2) the reserve ratio would remain above the upper bound after any such cash rebate.

Although transition or additional assessment credits awarded to an eligible insured institution would remain available until exhausted, the FDIC could suspend or limit the use of such credits if the reserve ratio is below the lower bound of the range for the DRR. Furthermore, under the bill, the amount of any credit that the FDIC applied in an assessment period against the assessment on an insured depository institution that exhibits financial, operational, or compliance weaknesses ranging from moderately severe to unsatisfactory, or is not adequately capitalized, could not exceed the amount calculated by applying to that depository institution the average assessment rate on all insured depository institutions for such assessment period.

The bill requires FDIC regulations implementing assessment credits to include procedures allowing an insured depository institution a reasonable opportunity to challenge administratively the amount of its credit or cash rebate. The FDIC's determination of the amount of any credit or cash rebate following any such challenge would be final and not subject to judicial review.

<u>Section 6</u>. **Regulations Required**

Under the bill, the FDIC is required to promulgate, after notice and comment, final regulations to implement Sections 3, 4 and 5 not later than 270 days after the date of enactment. Sections 3, 4 and 5 would become effective when the final regulations are effective.

<u>Section 7</u>. **Assessment Base Study**.

The bill would require the FDIC to study and report to Congress on the insurance fund assessment base within one year of the date of enactment. In conducting the study, the FDIC must consult with the Treasury and Federal Reserve and take into account, among other factors, the risks posed to the deposit insurance fund by the composition of insured depository institution liabilities.

<u>Section 8</u>. **Assessments-Related Record Retention and Statute of Limitations**.

The bill would reduce the length of time that insured depository institutions must maintain all records that the FDIC may require for verifying the accuracy of any assessment from 5 years to 3 years, except in the case of disputed assessments when records would have to be maintained until the dispute has been resolved. Similarly, the statute of limitations on assessment disputes would be reduced from 5 years to 3 years.

Section 9. **Late Payment Fees for Failure to Pay Assessments**.

The bill would increase fees for late assessment payments from $100 per day under current law to 1 percent of the required assessment for each day that the assessment continues to be late.

Section 10. **Employee Benefit Plans**.

The bill would provide that employee benefit plan deposits always receive pass-through coverage from the FDIC. However, an insured institution could accept employee benefit plan deposits only if the institution is well capitalized, or is adequately capitalized and has received a brokered-deposit waiver from the FDIC.

Section 11. **Technical and Conforming Amendments to the Federal Deposit Insurance Act Relating to the Merger of the Deposit Insurance Funds**.

The bill would make various technical amendments to the Federal Deposit Insurance Act to ensure conformity with the provision of the bill merging BIF and SAIF.

Section 12. **Additional Technical Amendments to the Federal Deposit Insurance Act to Eliminate Requirement of Semiannual Assessments**.

The bill would make technical amendments to the Federal Deposit Insurance Act to repeal the requirement that the FDIC set premiums on a semi-annual basis.

Section 13. **Other Technical and Conforming Amendments Relating to the Merger of the Deposit Insurance Funds**.

The bill would make various technical amendments to banking laws other than the Federal Deposit Insurance Act, and to other laws, to ensure conformity with the provision of the bill merging BIF and SAIF.

FROM THE OFFICE OF PUBLIC AFFAIRS

May 13, 2003
JS-369

Secretary John W. Snow Remarks Upon Unveiling of New Twenty Dollar Bill Bureau of Engraving and Printing, Washington, DC

A few months ago, I gave my signature to the Bureau engravers, so they could put it on the plates used to print our currency. One of the highest honors bestowed on the Treasury Secretary is the Secretary's signature on the currency. Our currency is one of the most powerful symbols of our republic.

U.S. currency represents security and integrity around the world. The design we are introducing today will help us keep it that way by protecting against counterfeiting and making it easier for people to confirm the authenticity of their hard-earned money.

The purpose of the new design is to stay ahead of anyone who would compromise the security and integrity of the dollar through counterfeiting. Thanks to the changes we made to our currency in the late 1990s, aggressive law enforcement efforts led by the Secret Service, and the help of an informed public, we've been able to do just that.

Nonetheless, technology changes quickly and counterfeiters develop new tools, so we plan to introduce new designs for our currency every 7 to 10 years. In fact, as soon as the current $20 note was introduced in 1998, work began on the new design you're about to see.

This new $20 note will go into circulation later this year. New designs for the $50 and $100 notes will follow in 2004 and 2005.

The most distinctive change in the new currency design is the color. Different colors for different denominations will make it easier to tell one note from another, especially for those with visual impairments. Color also makes the currency more difficult to counterfeit.

Even with the new colors and other features, the world will recognize the new notes as distinctly American. Everyone who sees the note will know instantly what it is and what it stands for.

I'm looking forward to the unveiling of the new currency design. I'm also looking forward to the passage of President Bush's Jobs and Growth Plan, which will enable Americans to keep more of these new bills in their own pockets. The plan will stimulate the economy and create new jobs -- benefiting American businesses and investors, workers and retirees. I urge Congress to act swiftly to enact the plan, to keep economic recovery on track and ensure that families enjoy a lasting prosperity.

Thank you very much.

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ARCHIVED WEBCAST:
Unveiling The New Color of Money

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Printing unveiled the new design of the
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PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 13, 2003
JS-370

MEDIA ADVISORY
John Taylor, Under Secretary for International Affairs

John Taylor, Under Secretary for International Affairs, will brief for reporters in advance of Treasury Secretary John Snow's participation in the G8 Pre-Summit Finance Ministers meeting to be held in Deauville, France this weekend. The briefing will be held at 10:30 AM on Thursday, May 15, 2003 in the Treasury Department Media Room. Under Secretary Taylor will discuss Secretary Snow's agenda for the meetings and will be available to answer questions.

Note that the Treasury Building is a secure facility. Members of the media who do not posess Treasury or White House press credentials should contact Frances Anderson at 202-622-2960 or via email at Frances.Anderson@do.treas.gov for clearance into the building no later than 4:00 PM on Wednesday, May 14. Please provide full name, organization, date of birth, social security number, and contact information.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 13, 2003
JS-371

Testimony of Treasury Secretary John W. Snow before the Committee on Financial Services U.S. House of Representatives

Chairman Oxley, Representative Frank and Members of the Committee, thank you for inviting me here today to discuss the Administration's international economic agenda. I welcome the opportunity to describe where we are today on advancing that agenda and our priorities for the future.

These are challenging times for our country and for the world. Yet we must remain focused on fundamental tasks. The Administration is working to strengthen our economic recovery, expand growth, create jobs, and raise living standards for Americans. So too are we dedicated to promoting stronger global growth and improving the lives of people throughout the world. There are no easy answers to the dilemmas posed by the poverty and financial instability that persist around the globe. Nonetheless, the Administration is determined to persevere and to work with the international community to accomplish our shared goals.

Rebuilding Iraq and Afghanistan is clearly a key priority for the United States and the international community, and I want to bring you up to date on Treasury's role in the Administration's efforts in this area. I also want to focus today on vital long-standing policy objectives – promoting global growth, fostering growth and stability in emerging markets and increasing growth in developing countries. And I want to underscore the importance that the Administration attaches to the authorization requests related to the Multilateral Development Banks (MDBs) that are pending with this Committee.

Promoting Global Growth

Our first international economic priority should be getting economic policies right at home. By strengthening economic growth in the United States, we provide a natural impetus for global growth. As the world's largest economy, when we grow faster we provide a boost to the world as a whole. That is why President Bush's jobs and growth package is so critical, not just for the U.S. economy, but for the global economy as well.

I have emphasized in meetings with my colleagues from the Group of Seven (G-7) countries how President Bush's economic growth proposals will build on the proven strengths of the U.S. economy – generating jobs, encouraging savings and investment, and promoting entrepreneurship.

The United States is doing its part in contributing to a healthy global economy. But a healthy global economy needs multiple engines of growth. I have underscored that our G-7 partners must immediately take their own steps, appropriate to their own circumstances, to spur growth and contribute to global prosperity. When Finance Ministers convene this weekend in advance of the G-8 Summit, I will continue to emphasize this point.

Trade liberalization is one of the most fundamental steps that countries around the world can take together to achieve growth and reduce poverty. Spreading the benefits of free trade is a key priority for the Administration. We are pursuing this objective at a global level in the World Trade Organization, regionally through the Free Trade Area of the Americas that is being negotiated, and bilaterally through the recently signed agreement with Singapore, the recently concluded agreement with Chile, and negotiations with the Southern Africa Customs Union, Morocco, Australia and several Central American nations. Treasury is working as a key member of the inter-agency team to advance this agenda, focusing on financial sector liberalization, investment, customs issues, trade-related capacity building, and the revenue implications of tariff reduction.

Rebuilding Iraq and Afghanistan

The urgent reconstruction efforts in Iraq and Afghanistan are a primary focus of the Administration's international economic policy. To provide intensive attention to this priority, the Treasury Department has formed a task force to help address key financial and economic aspects of Iraq's reconstruction. This task force includes broad representation from US Government Agencies, including representatives of the Federal Reserve, OCC, USAID, and the State Department. In conjunction with State, the Department of Defense, and others, Treasury will be working closely with Peter McPherson, who will be the lead advisor on financial matters on the ground in Iraq. Treasury's Office of Technical Assistance already has deployed 14 advisors to the Office of Reconstruction and Humanitarian Assistance (ORHA), and additional personnel may be deployed as necessary to help staff ORHA, which is expanding in conjunction with its move to Baghdad.
Working in concert with USAID, State, and the emerging leadership of a free Iraq, Treasury will assist in the formulation and execution of financial and economic policies in post-war Iraq. We start from the premise that our role is to help the Iraqi people rather than to impose changes upon them. It will be a priority to restore essential operations of the Finance Ministry, the Central Bank, commercial banks and the stock market. Where elements of the existing system are corrupt, ineffective, or inconsistent with a market-oriented economy, Treasury will work with the Iraqi people to begin essential reform and restructuring efforts.

A crucial near-term challenge will be paying civil servants, teachers, and pensioners in a fair, orderly and prompt manner – and transitioning to a wage/pension payment process under Interim Iraqi Authority control. Near-term goals include assisting the Iraqi people in the development of a fair and transparent federal budget, creation of a responsible system of regulation and supervision for financial institutions, reform of the tax and customs regimes, design of a strategy for the management of domestic and external debt, and implementation of financial fraud, anti-money laundering and anti-terrorist financing measures.

Development of a system of commercial law, founded on a base of private property rights, is an essential element of developing a market-based economy in Iraq. For this reason, we believe there are several areas in which the Iraqi people will need to focus, ranging from dealing with real estate and personal property to intellectual property rights. These will also include establishing the legal framework for corporations, the banking system, and capital markets. Given the reach of commercial law, more than just Treasury will be involved in assisting this effort; it will also include the Departments of State, Justice, Commerce, and USAID. However, each of us recognizes the importance of creating a free market economy in the country, and development of a sound framework of commercial law is key to this goal.

We also expect the international financial institutions to play an important role in supporting Iraq's reconstruction. The World Bank is already forming a team of experts to conduct a needs assessment in Iraq, which will help focus attention on assistance priorities and lay the groundwork for economic recovery and growth. The World Bank has the authority to determine when the time is appropriate to send a mission to Iraq for a field-based needs assessment. The IMF has provided general advice on the currency and monetary policy, and has also signaled that it is prepared to undertake a needs assessment at the appropriate time.

Shortly after the creation of the Interim Authority in Afghanistan in December 2001, Treasury's Office of Technical Assistance (OTA) sent an advisor to Kabul to conduct early assessments of budgetary, financial and economic conditions. OTA

Budget Advisor Larry Seale has since been in Kabul for over a year working closely with Finance Minister Ashraf Ghani in establishing modern budget mechanisms in the country. Treasury consulted with the World Bank, the Asian Development Bank and the UN Development Program during their development of the Needs Assessment for Afghanistan, which was presented at the Tokyo donors' conference in January 2002. Treasury provided advice and assistance on the creation of a new, unified currency, which completely replaced the old afghani in January of this year. Under Secretary Taylor has also played a key role in marshaling international financial support for the Afghan government's day to day expenses through the World Bank-administered Afghanistan Reconstruction Trust Fund

The MDBs are providing critical support for economic reform in Afghanistan. The World Bank and the Asian Development Bank (AsDB), together with UN agencies and international donors, are working closely with the Afghan government to respond to the country's urgent reconstruction needs.

Last year, the World Bank extended grants totaling $100 million to support public administration, infrastructure, education, and public works and provided a $108 million concessional loan in March this year to rebuild Kabul airport and a section of the "ring" road. Last year, the AsDB moved quickly to offer grants assistance on roads, energy, and capacity building and to date has provided about $40 million in grant assistance. Additionally, Afghanistan has received an Asian Development Fund post-conflict concessional loan of $150 million that is supporting urgent road building and another $150 million in concessional resources are expected to be approved for post-conflict reconstruction next month.

Fostering Growth and Stability in Emerging Markets

Financial crises in recent years have threatened the progress made by many emerging markets in improving living standards for their people. Successive crises have constrained global capital flows and helped leave growth well below its potential, hurting both emerging markets and the global economy.

The Administration's fundamental goal is to increase economic growth and stability in emerging market economies. Above all, this means providing strong support for policy reforms. The choice to reform must be made by countries themselves; ownership is vital to successful implementation.

It also means reducing the frequency of crises and improving the access of emerging market economies to private capital flows. To achieve these goals, the Administration is pursuing several key steps. First, we aim to prevent crises before they erupt – by better understanding potential vulnerabilities and taking early action to encourage countries to correct policies. Second, we aim to reduce the spread of crises from one country to others. Third, we are working to make clear that official sector finance is limited – and not available in large sums to encourage excessive risk taking by investors or to provide an escape for policy-makers from making difficult choices. And finally, we are seeking to create a more orderly and predictable process for debt restructuring through introduction of collective action clauses in sovereign bonds.

The International Monetary Fund (IMF) plays a central role in these areas, and over the last year, we have sought to ensure that the IMF is improving its focus on each of the four objectives that I laid out above. In sum, the IMF is more transparent, more focused on its core macroeconomic mission, and more intent on anticipating events that could lead to crisis. (Greater detail on reforms is provided in Treasury's Report to Congress on Implementation of Legislative Provisions Relating to the IMF, October 2002.)

To enhance crisis prevention and limit contagion, we have worked with the IMF to continue to strengthen its surveillance of economic conditions and performance in member economies. In this context it is gratifying to see private markets increasingly discriminating on the basis of the credit quality of individual emerging markets.

We strongly support ongoing work at the IMF to enhance its analyses of member economies, by focusing on core issues that are vital to macroeconomic performance and by ensuring that its analysis and advice are of high quality, objective and useful. This includes: paying closer attention to key areas of potential vulnerability; more effectively assessing debt sustainability; and zeroing in on potential weaknesses in regulatory frameworks and steps needed to strengthen national financial systems and financial sector performance.

Providing better information to the public is key to crisis prevention. The IMF cannot contribute in this respect if the results of its analyses are not widely available. IMF analyses are already much more widely available to the public, helping countries differentiate themselves to the community of investors and thus helping protect against unwarranted contagion. The Administration continues to press for more routine publication of IMF analyses, and we strongly support ongoing IMF work with countries to improve compliance with standards and codes and publish the results, which will enhance the information available to foreign and domestic investors.

To further strengthen incentives for strong policies and prudent risk-taking, the United States has sought to make clear the limits on official finance, both through our actions in tackling recent crises and through introduction of new constraints on the financial support that can be provided in future cases. The Administration has emphasized and will continue to insist that the IMF must be the key source of emergency support in the face of financial crises. Where exceptional, large scale financing is needed from the IMF, it should be provided on shorter terms and at higher interest rates than normal IMF lending. Within the IMF, we have worked to strengthen the requirements for access to exceptional amounts of financing, so that IMF support in all but the most extreme cases falls below specific, pre-set levels. The Administration gained the support of other members for this approach in February, when the IMF approved procedural changes that, among other things, will require the IMF to prepare a separate report with detailed justification for any exceptional access request.

Creating a more orderly and predictable process for debt restructuring has been a particular priority in recent months. More broadly, there has been a wide ranging debate in the international community about the potential for a centralized sovereign debt restructuring mechanism analogous to a bankruptcy court. Given the reactions of markets and emerging market countries, however, it is the United States' strong view that collective action clauses offer a more practical vehicle. There can at times be "collective action" problems that prevent a prompt, orderly resolution of a sovereign debt crisis. The source of these problems lies in the relationships and agreements of debtors and their creditors. It is these parties, not an international organization, who must assume responsibility for the solution.

The United States continues to work in the IMF to strengthen the crisis resolution framework through broad voluntary approaches. We have seen excellent progress made in developing and incorporating collective action clauses in external sovereign bond contracts. Mexico has shown strong leadership in issuing several bonds that include such clauses and committing to include such clauses in all new external bond issues. Brazil and South Africa have also had success with a global bond issue including such clauses. We urge other market borrowers to follow this example.

We have been working with the IMF on how best to promote more widespread inclusion of collective action clauses and enhanced transparency and disclosure. Emerging markets countries that regularly access international financial markets need to assume rightful ownership of these issues and help assure a more stable and orderly international financial system.

Increasing Growth in Developing Countries

The persistence of poverty is one of the most difficult challenges the world faces. Yet we are committed to tackling it. The Administration's strategy in developing countries centers on increasing productivity growth, thereby raising living standards and reducing poverty. Creating economic opportunities is vital not only to the daily lives of individuals and the economic development of their countries but also to stability for all of the world's citizens.

The President's commitment to tackling poverty is exemplified by his proposed Millennium Challenge Account (MCA), which represents a tremendous innovation in the delivery of development assistance. The MCA brings together the lessons we have learned about development over the past 50 years: 1) Aid is more likely to result in successful sustainable economic development in countries that are pursuing sound political, economic and social policies. 2) Development plans formulated by a broad range of stakeholders engender country ownership and are more likely to succeed. 3) Integrating monitoring and evaluation into the design of activities ensures that aid is going where it's most effective.

President Bush's vision of the MCA recognizes the importance of each of these lessons. First, it rewards pro-growth policies. President Bush categorizes these policies as ruling justly, investing in people and encouraging economic freedom. These policies benefit developing countries by increasing growth, creating an environment conducive to foreign and domestic investment, and making development assistance more effective. The MCA provides a strong incentive for countries to adopt these good policies. Second, the MCA establishes a true partnership in which the developing country, with full participation of its citizens, proposes its own priorities and plans. Finally, the MCA will place a clear focus on results. Funds will only go to well designed programs that have clear objectives, measure baseline data, and set benchmarks for both intermediate outputs and final outcome goals.

The MCA's targeted mission reaffirms our development objectives and contributes to an integrated strategy for achieving them. The MCA will focus on spurring growth in the subset of developing countries that have policies in place to use such assistance most effectively to achieve lasting results. USAID, State, and other agencies will continue to deliver humanitarian and regional assistance, to address complex emergencies, and to work with failed and failing states, all issues critical to U.S. national interests. USAID will also work with countries that are MCA "near misses" to encourage them to achieve the development-readiness essential for receiving assistance under the MCA.

Over the past few years, the international community has worked at creating a set of development goals. These goals include such ambitious targets as halving by the year 2015 the proportion of people whose income is less than one dollar a day. Last year, President Bush added another ambitious goal – "we ought to double the size of the world's poorest economies within a decade." Such goals will require developing countries to take vital policy steps to increase economic growth rates. They will also require a serious commitment by the donor community and the multilateral development institutions. If these ambitious goals are met, we can add another target that we should all want to achieve, and that is for the development institutions – bilateral and multilateral -- to start working themselves out of business. While it may seem like a strange measure of success – think about it – such an achievement would mean that countries are relying on investment, private capital, and entrepreneurship instead of pledges, concessions, and debt relief. It would mean that the people of developing countries will have governments that deliver basic services and provide for the rule of law; it will mean that they will have a chance to better their lives and see their children educated; and it will mean that they will know freedom and human dignity.

This is a very ambitious and forward-looking goal. But President Bush has already taken the initiative to begin working toward it. He set out a new economic growth agenda for the multilateral development banks that focuses these institutions on raising productivity growth and measurable results by channeling more funds to countries that follow pro-growth policies, and by structuring our contributions to create incentives for specific outcomes. He called on the development banks to increase the use of grants, rather than loans, to the poorest countries, and the banks are already responding to this call.

Raising productivity growth depends on developing the private sector in individual countries, including by expanding small businesses' access to credit. The MDBs can play a useful role in advancing this goal. In particular, the U.S. has proposed that the International Finance Corporation (IFC) – the private-sector arm of the World Bank Group – work with the International Development Association (IDA) to promote lending by financial sector institutions to small and medium-sized enterprises (SMEs) in Africa. This is intended to build on a number of successful programs already in place in some of the MDBs for SMEs, including those at the European Bank for Reconstruction and Development (EBRD) for Russia and Eastern Europe. The IFC and IDA are now developing this program for African SMEs.

Producing measurable results requires fundamental changes in operating style. As a first step, systems must be put in place to measure outcomes and facilitate accountability. To drive this change, the U.S. will make results-based contributions to the most recent replenishment of IDA, the flagship of development assistance institutions. The U.S. has proposed to provide an additional $300 million in contributions if IDA produces a results measurement system, expands essential diagnostics and achieves progress toward concrete health, education and private sector goals. A similar results-based mechanism was established for the Global Environment Facility (GEF), with the final $70 million of our contribution tied to the GEF's achieving specified, quantifiable program goals.

The U.S. has also persuaded the MDBs to begin increasing the use of grants, instead of loans, to fund priority development activities in the poorest and least creditworthy countries. Grants help poor countries make productive investments without saddling them with ever larger debt burdens. Recipients perceive grants to be more valuable than loans, permitting higher performance hurdles and thus enhancing development effectiveness and results. With strong U.S. urging, both the World Bank's concessional window – IDA – and the African Development Fund have agreed to increase sharply the share of resources provided in the form of grants to the poorest countries, so that 18-21 percent of total assistance over the next three years will be provided in grant form. The poorest countries are eligible for 100% grant financing for efforts to counter HIV/AIDS. Donors likewise committed to increase grants in the International Fund for Agricultural Development to 10 percent of total assistance. This year we will seek to expand the use of grants at other MDBs, particularly the Asian Development Bank through its facility for the poorest countries, the Asian Development Fund.

I strongly believe that U.S. participation in the MDBs is vital to achieving the goals of increased growth and improved living standards in the developing world. I look forward to working with this Committee and the Congress, to help make the MDBs strong and effective institutions. In this context, I want to underscore the importance we attach to transparency in the operations of the MDBs. The United States has long been a leading force for increased openness in these institutions, and the Administration will continue to press strongly for greater openness. For example, we are working to ensure that all the MDBs put in place transparent systems for allocating resources to countries that can use them effectively.

Authorization Requests

As part of this year's budget, the Administration is seeking authorization for additional commitments to the HIPC Trust Fund. The HIPC authorization request supports the U.S. contribution for its share of additional HIPC financing agreed to by the President and other G-7 leaders. We appreciate recent passage by the House of Representatives of legislation (HR 254) to help implement the President's proposals to reform the North American Development Bank and Border Environment Cooperation Commission, and are working with the Senate to achieve enactment as soon as possible.

In addition, Treasury has resubmitted requests for Congressional authorization for U.S. contributions to most recent replenishments of IDA, the African Development Fund, and the Asian Development Fund. Each of these funds provides critical development assistance to the poorest and most vulnerable peoples of the world. In early 2001, President Bush requested the authorization for the seventh replenishment of the Asian Development Fund (ADF-8). In early 2002, he further requested the authorization for the thirteenth replenishments of IDA and the ninth replenishment of the African Development Fund (AfDF-9). Most recently, the FY

2003 Consolidated Appropriations Resolution appropriated related funds but did not include authorization legislation for U.S. participation in these replenishments. This situation is undermining United States reform-minded institutional leadership. If it continues, it also will threaten to slow the provision of critical assistance to the poorest countries and peoples in Africa, Asia and Latin America. Without the U.S. contribution to IDA-13, IDA will not have enough resources to make its normal lending and grant targets for its 2004 fiscal year, which begins on July 1, 2003.

As Treasury Secretary, I believe that it is critical that the Congress pass authorization legislation for U.S. participation in these replenishments as soon as possible. I look forward to working with you and other members of Congress in achieving this end.

Legislative Mandates and Reports

Finally, I would like to raise, as I did with your colleagues on the Appropriations Committee two weeks ago, the issue of legislative mandates. Currently, Treasury carries out an extremely large number of specific legislative mandates relating to U.S. participation in the international financial institutions that have built-up over time. Some mandates go back 50 years. Some provisions overlap, or are inconsistent. There are 37 directed vote mandates and over 100 policy mandates, plus numerous reporting, certification and modification mandates. The proliferation of these legislative mandates can be confusing and counterproductive to U.S. efforts to develop international economic policy and to implement it effectively in these institutions. The U.S. Government's ability to influence other shareholders and the institutions themselves could be enhanced by consolidation of these mandates. I would like to work with you to rationalize and focus our mandated reports and requirements, so that Treasury can work as effectively as possible in pursuit of U.S. policy goals.

Conclusion

I appreciate this opportunity to review the Administration's international economic agenda – our recent achievements and our ambitions going forward. I look forward to continuing to work with this Committee and the rest of the Congress on the important goals of promoting growth and improving lives both in the United States and beyond.

Thank you. I welcome your questions.

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
May 13, 2003

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 4-WEEK BILLS

Term:	28-Day Bill
Issue Date:	May 15, 2003
Maturity Date:	June 12, 2003
CUSIP Number:	912795MR9

High Rate: 1.000% Investment Rate 1/: 1.020% Price: 99.922

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 5.73%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 21,463,700	$ 5,955,795
Noncompetitive	44,346	44,346
FIMA (noncompetitive)	0	0
SUBTOTAL	21,508,046	6,000,141
Federal Reserve	4,534,931	4,534,931
TOTAL	$ 26,042,977	$ 10,535,072

Median rate 0.980%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 0.800%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 21,508,046 / 6,000,141 = 3.58

1/ Equivalent coupon-issue yield.

JS 372

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 14, 2003
JS-373

Written Testimony of David D. Aufhauser General Counsel Department of the Treasury before the House Financial Services Subcommittee Oversight and Investigations May 14, 2003 10:00 a.m. The United States House of Representatives

Madame Chair and distinguished Members of the Subcommittee on Oversight and Investigations, thank you for inviting me to testify today about the Treasury Department's efforts to track down, freeze, and repatriate to the people of Iraq assets that have been systematically looted by Saddam Hussein, his family, and his cronies. While major combat operations in Iraq are over and the Hussein regime has been toppled, the search for assets continues. Our task is clear – identify and repatriate all assets, whether they are held in the name of the Iraqi government or hidden in the international financial system behind a maze of front companies and straw men. Whatever Hussein's legacy may be, it must not include successfully stealing and hiding billions of dollars in the international financial system.

Today I will stress two overarching themes that help to put our task into perspective – first, identifying and securing the repatriation of Hussein's assets is but one part of this Administration's multifaceted effort to rebuild Iraq for the Iraqi people. President Bush has made it clear to the world that our liberation of the Iraqi people did not end with the elimination of Hussein's regime. It is our obligation to alter the economic conditions that permitted Hussein to thrive and repress the Iraqi people, creating instead the opportunity for democracy and self-determination. Second, while it is obvious, it bears repeating: the hunt for Hussein's assets is not solely a Treasury initiative. The complex challenge of uncovering the trail of illicit money in a country that has suffered under a Stalin-esque dictatorship for 25 years demands that our government agencies work together in a coordinated manner. And that is precisely what we are doing. Working closely with the intelligence community and the Departments of State, Defense, Justice, and Homeland Security, we have launched a comprehensive effort to hunt down these assets and enhance the likelihood of their return to the Iraqi people.

I want to take a moment to emphasize why we are engaged in these efforts. First and fundamentally, we have an obligation to ensure that assets rightfully belonging to the people of Iraq are located and returned. Second, wherever illicit assets may be hidden, we must not permit them to find their way into the hands of terrorists. Third, global efforts to identify and repatriate assets stolen by Hussein will serve as a strong deterrent against other tyrants and kleptocrats who seek to loot their countries and then place those funds out of reach in the international financial system. Finally, the exploitation of financial documents and the questioning of individuals with knowledge of Hussein's financial web may well help us to track down weapons of mass destruction, suppliers of those weapons, or agents of the regime that may be hidden abroad.

In sum, our plan for recovering Iraqi assets has the following elements:

• Exploiting documents and key financial figures in Iraq to better understand fund flows;

• Securing the cooperation of jurisdictions through which illicit funds have flowed so that we may exploit financial records and uncover the money trail;

• Securing the cooperation of jurisdictions in which illicit assets may reside to locate, freeze, and repatriate the assets;

• Engaging the financial community in the hunt for illicit assets generally, and specifically secure the cooperation of financial institutions through which illicit funds have flowed or may still reside;

• Developing a system to facilitate the fluid repatriation of funds; and

• Preparing for potential sanctions against uncooperative jurisdictions and financial institutions.

I. The Systematic Looting of a Nation

We may never know the full extent to which the Hussein regime stole from the Iraqi people, or how much money remains hidden in the international financial system. Criminals rarely keep consolidated accounting records. What continues to emerge from the rubble of Hussein's fallen regime is a disturbing tale of his ability to create a web of deceit under a comprehensive international sanctions program; a web in which he trapped and victimized his own people.

This we do know. Hussein's circumvention of the United Nations sanctions regime to the financial benefit of his regime has been open, notorious, and well-documented. Sanctions imposed by the UN Security Council beginning in 1990 were sweeping, barring virtually all commercial transactions with Iraq. The international community moved quickly to implement these and subsequent UN Security Council Resolutions.

In 1995, building upon previous humanitarian exceptions to the sanctions regime, the international community further responded to the plight of the Iraqi people by creating the oil-for-food (OFF) program: permitting the official sale of Iraqi oil and placing the proceeds in a designated UN account to be used for humanitarian purposes.

Despite the laudable goals of the OFF program and the best of intentions, Hussein intentionally exploited the program to generate substantial illicit income. Hussein not only survived under the UN sanctions regime, he flourished. The various ways in which he subverted sanctions have been widely reported and include:

• Sales of oil outside of the OFF program – from the inception of the sanctions program through the development of the OFF program, Iraq conducted illegal oil sales to its neighbors by pipeline, tanker truck, and barge.

• Skimming and kickbacks on oil legitimately sold through the OFF program – price manipulation and additional surcharges deposited to separate accounts provided a significant revenue source within the otherwise legitimate oil sales program.

• Kickbacks and surcharges on humanitarian purchases under the OFF program and other schemes.

Various estimates exist as to the money illegally generated outside of the OFF program. In its May 2002 report, the GAO "conservatively" estimated that Hussein regime amassed $6.6 billion in illegal revenue from oil smuggling and skimming on UN sanctioned oil sales from 1997 to 2001.

Even more challenging is to estimate the amount of money Hussein and his family personally amassed before the beginning of Operation Iraqi Freedom. While estimates range from $2 billion to $40 billion, we simply do not yet know how much of this wealth still exists in accounts throughout the world.

II. Assets of the Iraqi Government

On March 20, one day after the military phase of the liberation of Iraq began, President Bush vested in the United States Iraqi government assets frozen upon the imposition of economic sanctions in 1990. Secretary Snow and Treasury's Office of Foreign Assets Control implemented the vesting order, directing that $1.7 billion be deposited in a special account at the Federal Reserve Bank of New York. Vesting under the International Emergency Economic Powers Act, which is itself a new authority given to the President in the USA PATRIOT Act, provides us with maximum flexibility to repatriate these assets. Secretary Snow has already ordered initial disbursements of those funds to meet the immediate humanitarian needs of the Iraqi people.

Concurrent with the vesting of assets, we began working with the State Department to engage other jurisdictions around the world to identify, freeze and make available Iraqi government assets for repatriation. These outreach efforts, which include efforts to secure not only Iraqi government assets, but also illicit assets of Hussein and his family, have taken place on many fronts. For example, we have sent out cables and demarches to more than 50 countries seeking cooperation in our hunt for assets. We have had and continue to have extensive bilateral and multilateral meetings with key jurisdictions. For example, we took advantage of the IMF/World Bank meetings held in Washington last month to hold several important bilateral meetings to discuss the matter. Both Treasury and State officials have placed telephone calls to their counterparts in key jurisdictions. And Secretary Snow brought this message to the meeting of the G7 last month.

The response of other nations to our renewed call to locate illicit Iraqi assets has been positive. To date, we believe that an additional $1.2 billion has been located and held in "suspense" accounts pending further dialogue. Cooperation has come from many jurisdictions. We will continue this outreach process to engage other jurisdictions to locate and freeze all additional Iraqi government assets.

III. Illicit Assets of Hussein, his Family, and his Cronies

The greatest challenge lies in identifying and tracing the flow of funds that Hussein has stolen and injected into the international financial system. The funds may be hidden in a web of front companies and straw men, spun to avoid detection. It is therefore essential that we assemble evidence from all sources, in Iraq as well as in other jurisdictions.

Exploitation of documents and individuals in Iraq and transiting jurisdictions. The obvious, but essential, first step in tracing the illicit assets is to locate evidence that may exist, whether it be the financial audit trail or human intelligence. We have already begun assembling interagency teams of forensic investigators and sending them to Iraq to assist the Department of Defense with the search for evidence. These teams will also be available to assist jurisdictions used as conduits for illicit funds with their own searches for relevant documents and evidence.

Enlisting the cooperation of transiting and nesting jurisdictions. We must have cooperation all along the emerging money trails, from all the jurisdictions through which funds transited, as well as jurisdictions in which funds may have ultimately nested. The scope of this search is ever-expanding. International assistance is needed to track the illicit assets of Hussein, his family, his cronies, and the front companies and straw men they used. As we develop more specific information about money flows, I expect the intensity of interaction and cooperation to increase.

Enlisting the cooperation of the private sector. The hunt for illicit assets will take us through the doors and into the records of financial institutions worldwide. It is therefore vital that financial institutions lend their assistance to our efforts. We expect financial institutions to be vigilant against accepting the proceeds of corruption, and we expect that when we develop specific information on money trails, financial institutions will assist in the recovery effort.

Possible sanctions. Our message from outset has been clear – we expect that jurisdictions and financial institutions will assist us in our efforts to recover the plundered assets of the Iraqi people. Our experience thus far has been positive. But in the event of recalcitrance, we have available to us various tools to encourage both jurisdictions and individual institutions to cooperate. For example, section 311 of the USA PATRIOT Act gives the Secretary of the Treasury, in consultation with other agencies, the authority to require U.S. financial institutions to take appropriate countermeasures against foreign jurisdictions or foreign financial institutions that the Secretary finds to be of primary money laundering concern. This authority includes the power to cut off access to the U.S. financial system. Should it be necessary, a jurisdiction's or a foreign financial institution's refusal to search for and eliminate accounts holding illicit proceeds may fall within the purview of this provision.
Developing an International Mechanism to Secure the Repatriation of Iraqi Assets

Our efforts to recover illicit Iraqi assets highlights the problem of securing the repatriation of assets that are stolen by kleptocrats and placed in the international financial system. Recent examples demonstrate that locating illicit assets is just the beginning. The government of the Philippines located accounts throughout the world where Ferdinand Marcos had stashed illicit funds under the names of real and fictitious friends and accomplices, but the effort to repatriate those assets through traditional means has taken over a decade.

Under the auspices of the United Nations, the United States has been participating in the negotiation of an international convention that will strengthen international mechanisms to locate, seize and return assets stolen by kleptocrats. These negotiations are not scheduled to conclude until the end of 2003, and implementation of such an agreement on a global basis is likely years away.

While the United Nations continues its efforts to devise a general mechanism to facilitate recovery of illicit assets on a global scale, immediate arrangements must be made for the fluid repatriation of Iraqi assets, both those in the name of the Iraqi government as well as illicit Hussein assets. One possibility is a UN Security Council Resolution related directly to the recovery of funds of the government of Iraq that have been frozen pursuant to existing Resolutions. Another possibility is consultations or arrangements among jurisdictions that have located illicit Iraqi assets within their borders in order to facilitate resolution of third party claims, and thus expedite the return of those assets to Iraq.

Separately, the hunt for illicit Iraqi assets reinforces the need for financial institutions to take responsibility to ensure they do not become the haven for the proceeds of corruption. Treasury is completing work on a regulation implementing a provision of the USA PATRIOT Act, section 312, that will place renewed emphasis on U.S. financial institutions to guard against accepting the proceeds of foreign corruption from kleptocrats, their families, and other associated "politically exposed persons" in the first place.

We are not alone in pursuing this type of regulatory requirement. In Switzerland, for example, recent amendments to Swiss anti-money laundering laws and regulations are designed to enhance protections against accepting the proceeds of foreign corruption from politically exposed persons. Additionally, the Financial Action Task Force, as well as groups of private financial institutions, have addressed the need for financial institutions to guard against accepting funds looted by other countries' political figures.

V. Results

Since March 20th, an additional $1.2 billion in Iraqi government assets have been placed beyond the reach of the former regime, the United States vested $1.7 billion in assets, the movement of those vested assets back to Iraq has begun, U.S. financial investigators are in Iraq, and every day we are learning more about the maze of Hussein's money trails. This is a time-consuming, laborious, and potentially dangerous task. This is a process that, by its very nature, will take time. We owe a debt of gratitude to the civilians who are engaged in these efforts.

As you know, on April 20, 2003, our troops on the ground discovered nearly $900 million worth of currency. We are now in the process of examining the authenticity of the currency, checking for counterfeiting, and attempting to determine where it came from.

Beyond this, our success to date is measured in terms of commitments from other jurisdictions to join in this effort, investigative teams assembled and inserted into Iraq, and the review of evidence already obtained. Our purpose is clear and we will continue to provide this Committee with updates on our progress.

Madame Chair, we are engaged in an important task intended to have a significant and tangible impact on the people of Iraq who have suffered for so many years under the repression of Saddam Hussein. Treasury will continue to work with our sister departments and agencies to secure the cooperation of the international community to locate, freeze, and repatriate Iraqi assets. This concludes my formal testimony and I would be pleased to answer any questions that you, or members of the Committee, may have.

Thank you.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 14, 2003
JS-374

Remarks by
Michael A. Dawson
Deputy Assistant Secretary for
Critical Infrastructure Protection and Compliance Policy
To
The Bank Secrecy Act Advisory Group
Washington, D.C.
"The USA PATRIOT Act Task Force:
A Progress Report"

It is a great pleasure for me to speak to you today and to report on the progress of the USA PATRIOT Act Task Force.

It is a pleasure because so many of you are good friends. So many of you have been generous with your time and helped me to understand the nuances of your agency, your industry, your priorities, your concerns. I have learned much from many of you. I know that we will continue to work together in the future.

It is also a pleasure to speak to you because of what I have to report: hard work, a close public private partnership, a common commitment to maximizing the effectiveness of the rules implementing the USA PATRIOT Act, and a shared understanding of how difficult are the challenges we face together.

In a moment, I will review the origin and work of the Task Force. I will not be able to report on the findings of the Task Force – they haven't been made yet. But I will be able to discuss with you some common themes that have emerged during the course of the Task Force's work. When I finish, I hope that you will share with me my belief that the Task Force will make a difference, that it will help improve the effectiveness of the regulations implementing the USA PATRIOT Act.

Before doing all that, however, I want to emphasize three important points.

First, the U.S. financial sector has in general done a remarkable job of complying with the obligations of the USA PATRIOT Act and its implementing regulations. Never before have so many new anti-money laundering regulations been imposed on so broad an array of financial institutions in so short a time. Financial institutions have spent a lot of time and money implementing the Act. Many of you in this room know this to be true. Indeed, many in this room are partly responsible for ensuring that your institutions meet the letter and the spirit of their new obligations. I am proud of the record of compliance by the U.S. financial services industry. While there are, of course, exceptions – rotten apples – they have not spoiled the whole bunch. The record of compliance by the U.S. financial services industry is commendable. And I thank you for it.

Second, you have shouldered your new obligations without complaint. Over the past several months, the Task Force has met with scores of representatives of financial institutions and their trade associations. Not once did a financial institution complain to me about the burdens they have shouldered to help us wage the financial front of the war on terror. Not once. No financial institution has complained to me – or to my knowledge any other participant in the Task Force – about the time and money they are spending on this important area. This is particularly remarkable in these times, when many financial services firms have faced significant pressure to cut costs and some financial services firms have even had to let employees go. I appreciate what you have done. Again, thank you.

No one should be surprised by the quiet commitment of the financial services industry to fighting terror. We, like you, remember September 11. We remember your friends and colleagues whom Al Qaeda murdered. We remember the employees of U.S. financial institutions who died trying to save others. We remember our own employees – from the IRS and from the United States Secret Service – who lost their lives We are constantly mindful that Al Qaeda targeted the financial sector on September 11. We are constantly mindful that terrorists continue to look for ways to harm the U.S. economy in general and the financial sector in particular.

The third point I wish to emphasize really gets to the heart of the challenge that lies before us. While no one I met over the past several months complained about the burden they are shouldering, virtually every person I met wanted to know whether their hard work is making a difference. They pleaded with us for more information – as specific as possible – that would indicate that their commitment of time and resources is helping us win the war on terror.

Why? It's not because they are curious. It's because they want to make sure that the time and resources they are devoting to this effort are well spent. There is a limit to the amount of resources that financial services firms can devote to the financial front of the war on terrorism – just as there are limits on the resources that we can devote to the physical war. All financial services firms, therefore, want to use their resources for maximum impact. They want to be able to report to their boards on the return on investment that the resources have generated – how the time and money they've spent have helped us fight the war.

It is in the government's interest to provide financial institutions with this information. The government, like you, wants to ensure that your resources are put to their most productive use in the financial front of the war on terrorism. We, quite literally, want to maximize the bang we get out of your bucks. We want to sustain your institutions' commitment to the financial front of the war on terror, by showing you how valuable your efforts are. Of course, there are limits to what information we can share. We can't compromise open investigations. We can't compromise sources and methods of collecting intelligence. There are also limits to the information we have. It is difficult to quantify the deterrent impact of the regulations. It is also difficult to trace some of the specific successes in the financial front of the war on terror to the efforts of specific institutions to comply with specific provisions of the USA PATRIOT Act. Our principal challenge is to work together within these constraints to develop and share information that helps maximize the effectiveness of the regulations and sustains the strong private sector commitment to fighting terror.

I hope you will keep those three observations – your commendable record of compliance, your patriotic commitment, and your legitimate need for information – in mind as I review the origins and initial work of the Task Force.

Treasury created the Task Force in September of 2002 – one year after the attacks and shortly before the one year anniversary of enactment in October of 2002 by Congress and President Bush of the USA PATRIOT Act.

As you know, after Congress and the President enacted the USA PATRIOT Act, Treasury promulgated many new regulations and revised existing regulations in a hurry. Our haste was appropriate. Given the ongoing terrorist threat, we wanted to have these anti-terrorist finance measures into place as quickly as possible. In addition to acting quickly, we issued regulations governing types of financial services firms that we had not regulated before.

We believe that we did a good job. We had a lot of help from you, of course. We also had a lot of help from the Congress and our sister regulatory agencies.

But we acted with imperfect information. We had only imperfect information about what the precise impact of the new regulations would be on financial institutions. We had only imperfect information about the terrorist financing behavior that we are trying to stop.

Treasury's idea, therefore, was to establish the USA PATRIOT Act Task Force to take a second look at the regulations that we had promulgated. Our idea was to reach out to you, to the regulated community, to the regulators, to the law enforcement agencies, and to consumer advocates for ideas on how to make the regulations better. Better. Not necessarily tougher or looser, but better. Better at getting the most bang out of your buck. More effective at using your resources to stop terrorist financing.

I wish to note that we limited the scope of the Task Force to a retrospective look back at final regulations that we had already promulgated. Pending or future regulations were developed pursuant to the prescribed procedures under the Administrative Procedures Act.

Subject to that limitation, Treasury created the Task Force with the purpose of maximizing the effectiveness of the regulations implementing the USA PATRIOT Act. The Task Force's members are the senior leaders of the Department: the Under Secretaries for both Domestic Finance and International Affairs and the General Counsel. Each policy arm of the Department has assigned a lead staff person to do the leg work. I was that person for the Deputy Secretary when the Task Force was first created. I am that person now for the office of Domestic Finance. As such, I am personally familiar with the work of the Task Force.

Our research plan was relatively simple and straightforward. We have reached out to representatives from numerous financial services companies and their trade associations. The trade associations we met with included the following: the American Bankers Association, America's Community Bankers, the Independent Community Bankers Association, the American Council of Life Insurers, the Credit Union National Association, the American Financial Services Association, the American Gaming Association, the Securities Industry Association, the Futures Industry Association, the Non-Bank Money Transmitters Group, the Money Order Sellers Group, and the Financial Services Roundtable.

We also met with many financial regulators including the following: the Federal Reserve Board, the National Credit Union Administration, the Securities and Exchange Commission, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, and the Commodity Futures Trading Commission.

In addition, we reached out to the several law enforcement agencies. And, because many of the provisions have a direct impact on the privacy interests of legitimate consumers of financial services, we met with consumer advocacy groups.

We refused no request for a meeting by any interested party.

Where possible, we held our meetings outside of Washington, in financial centers like New York and Charlotte. We met in Atlantic City with representatives of the gaming industry.

This outreach led to many candid and open discussions. In addition, we have received ten written submissions from industry groups.

Through this outreach and the written submissions, we received many constructive suggestions for improving the USA PATRIOT Act, its implementing regulations, and government practice in administering programs under the USA PATRIOT Act. We have taken the best of these suggestions and are in the process of presenting them to our senior leadership for their review. We expect the project to generate several specific improvements to the Act and its implementing regulations and practices. But it is too soon to tell you what they will be.

While it is too soon to tell you what those specific improvements will be, I can report on some examples of themes that emerged during the course of the Task Force's work.

• Better guidance. One recurring themes was a call for better guidance about how the regulations would be applied in practice. We received several suggestions for how to improve guidance. For example, many suggested that Treasury and other regulators issue staff commentary along with their regulations. As another example, several suggested that we find a way to provide coordinated guidance in response to specific questions when they arise as financial institutions apply the regulations to specific, real-world circumstances. As still another example, too many people brought to our attention instances in which examiners applied the regulations in the field in a way that was not consistent with the risk-based approach we have taken in writing the regulations. These people suggested that we find a way to improve the consistency of such in-the-field applications of our regulations.

• Reliance on third parties. Several of the entities that we talked to asked for guidance on when they could rely on the anti-money laundering programs of qualified third parties. Many of the people we talked to explained that numerous financial transactions typically involve several different financial institutions. These people asked us to consider the effectiveness of imposing requirements on every institution in a transaction and whether certain institutions could rely on the compliance efforts of others.

• Better feedback. Virtually all of the private sector representatives we talked to called for better information about what works in the financial front of the war on terror. They want to do more of what works, perhaps by shifting resources allocated to programs that do not produce results. They also want to be able to report to their senior leadership and their boards of directors how their investments in anti-money laundering and anti-terrorist finance programs are contributing to the war on terror.

These are some of the themes that have emerged as the Task Force has conducted its research. There are other themes. In addition, there are many specific suggestions. We are considering all of them. While it is too soon for me to tell you what specific improvement will result from the work of the Task Force, I believe that we have much constructive material to work with and that well-grounded, specific improvements should come out of this process.

I wish to close by emphasizing that we are in this together. The financial services industry and the financial regulators have worked together to implement the USA PATRIOT Act. We have worked together to find ways to improve the effectiveness of the Act and its implementing rules. The recent bombings in Saudi Arabia demonstrate that the terrorist threat remains real. We must remain vigilant. And we must also continuously strive to improve the effectiveness of the statute and rules that are important to the financial front of the war on terror.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 14, 2003
JS-375

Oral Testimony of David D. Aufhauser
General Counsel
Department of the Treasury
Before the
House Financial Services Subcommittee
Oversight and Investigations
May 14, 2003, 10:00 a.m.
The United States House of Representatives

A great deal of money will be required to put Iraq back on an even keel. But that is not because of 25 days of war. It is because of 25 years of tyranny – a tyranny that made prisoners of thought, criminals of honest enterprise, and widows of the tortured brave. The long war with Iran, the unlawful invasion of Kuwait, the elevation of public corruption to an art form, the decade of sanctions book-ended by obscene palace extravagances while the common man lined-up at one of 55,000 UN food distribution points, all bankrupted a rich country in everything except the hunger for freedom.

Now that they have freedom, the Iraqi people deserve the return of their wealth: (i) the inestimable wealth of the oil in their soil; (ii) $1.7 billion of vested assets in the U.S.; (iii) $2.3 billion similarly held in blocked or frozen accounts in countries around the globe; (iv) the recovery of the stolen assets of the Central Bank; (v) unallocated UN-OFF money; (vi) a donor fund from the community of nations; and (vii) the identification, capture and repatriation of the hidden money or previously unaccounted for wealth of the nation.

This last tranche of money is expected to occupy much of this morning's testimony. And it should – not because we are Pollyannaish in the belief that much of it has not been misspent in acts of unimagined profligacy; and not because it makes good theater; and not because much of it may already have taken flight.

But rather, it is the right thing to do for so many reasons. Whatever unfound money there is, ought to be returned to feed people. Whatever the hidden wealth, it needs to be captured before it falls into the hands of purveyors of terror. And whatever commerce took place by corrupting the UN Food for Oil Program, and by nakedly gaming its economic sanctions program needs to be punished by denying profit to illegal trade.

This last point is perhaps the most troubling. Some of the best of our kids perished in Iraq because a significant part of the world did not effectively enforce the UN economic sanctions program to keep arms from Saddam Hussein. One of the first acts of the Bush Administration was to introduce a resolution in the UN to "smarten" those sanctions, to accelerate the delivery of humanitarian goods, to close the trafficking in smuggled oil, and to try to stem the holiday of corruption that Hussein made of the Oil for Food Program. The former succeeded, the latter did not. And the price has been the lengthened tenure for a tyrant and blood in the sand.

The search for the hidden wealth of Hussein and his regime is, therefore, more than a search for assets. It is a reaffirmation of the rule of law and a necessary reinforcement of the notion that while economic sanctions can be a powerful tool for policing state sponsors of terror or the enemies of democracy, if casually enforced, they can be a lethal tonic of false security.

So the search both in country and around the globe is an imperative. There are promising advances both in process and in the capture of previously unknown monies.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 15, 2003
JS-376

Treasury to Delay Announcement of Weekly Bills

The Treasury Department is postponing announcement of its weekly 13-week and 26-week bill auctions, scheduled to be announced May 15, 2003, until further notice.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 15, 2003
JS-377

Statement by Treasury Secretary John W. Snow in Advance of the G8 Finance Ministers Meeting

*****Correct Copy*****

I look forward to meeting with my fellow finance ministers in Deauville this weekend in advance of the G-8 Summit in Evian.

Growth must remain our top priority. I underscored this at my first G7 meeting in February, and when we last met in April, noting that the world economy is falling far short of its potential. This remains the case today. The United States is doing its part by aggressive and timely monetary and fiscal action. The President's Jobs and Growth program will further accelerate the U.S. recovery. But a healthy global economy needs multiple engines of growth. Our G-7 partners must immediately take their own steps, appropriate to their own circumstances, to spur growth, create jobs and contribute to global prosperity. Structural reforms are particularly important to unleash potential in some of our economies.

I also expect to engage my counterparts in a discussion of the needs in Iraq. Coalition forces in Iraq are addressing the humanitarian needs of the country and have begun the arduous but hopeful task of reconstructing Iraq and rebuilding its economy after decades of misrule. I will continue a discussion initiated at our last meeting regarding Iraqi debt. As we previously agreed, debt discussions will take place in the context of the Paris Club. In addition, I would like to explore a role for the IMF in dealing with the issue as well. I believe that no one should expect Iraq to begin to make debt payments for some time.

I commend the World Bank and the IMF for agreeing to begin assessment activity in Iraq. This is good news. We look forward to the full participation of the international financial institutions to help Iraq to rebuild and to rejoin the international economy. It will also be useful this weekend to begin discussions on a process for individual countries to donate funds for ongoing reconstruction efforts in Iraq. Finally, I will urge the ministers to do everything in their power to make seized assets available to the Iraqi people and to aggressively continue the search for the illegal assets of the corrupt regime of Saddam Hussein.

Our global efforts to track down, freeze, and repatriate to the people of Iraq assets that have been systematically looted by Saddam Hussein, his family, and his cronies are critical.

While major combat operations in Iraq are over and the Hussein regime has been toppled, the search for assets continues. Our task is clear – identify and repatriate all assets, whether they are held in the name of the former Iraqi government or hidden in the international financial system behind a maze of front companies and straw men. Whatever Hussein's legacy may be, it must not include successfully stealing and hiding billions of dollars in the international financial system.

Improving investor confidence through strengthened corporate governance has been a key focus of G-7 discussions this year. The essence of this effort is reinforcing corporate governance practices, market discipline, transparency and regulation in line with agreed principles. The United States has taken strong steps to punish wrongdoing and improve oversight through the President's Ten-Point Plan and implementation of the Sarbanes-Oxley Act. I will make clear to my colleagues the United States' ongoing commitment to be active in ensuring accountability and promoting transparency.

Clear progress has been made in preventing financial crises and providing for smoother resolution of those that occur. The United States applauds the increasing use of collective action clauses in external debt, with Mexico, Brazil, Uruguay and South Africa all having included these clauses in recent issues. With European Union countries to be issuing soon with collective action clauses and other emerging market countries seriously considering doing so, the momentum is building. Widespread use of these clauses will provide the basis for more orderly debt workouts. We will also discuss this weekend a new way for the Paris Club to address countries' debt problems – tailoring relief to each country's particular debt sustainability situation while keeping debt restructuring as a last resort.

As time passes, it is important that we maintain focus and momentum in the ongoing fight against terrorism financing. Finance Ministers will review this weekend the significant progress made in this effort, including the IMF and World Bank's pilot project to assess countries' anti-money laundering and terrorist financing regimes. We look to the Financial Action Task Force to continue its work and to cooperate more closely with the United Nations and the IFIs to achieve widespread compliance with international standards.

The challenges of reducing poverty and promoting growth in the poorest countries remain an important part of the G-8 agenda. Achieving results will depend on countries' own commitments to reform, growth and good governance. The President's proposed Millennium Challenge Account (MCA) takes the concepts of rewarding performance and measuring results and turns it into an operational action plan. As reinforcement for the United States' strong commitment to help the poorest countries achieve growth and reduce poverty, the President has requested \$1.3 billion for MCA this year, increasing to \$5 billion by year three and thereafter.

He has also proposed \$10 billion in new money to combat HIV/AIDS over the next five years and \$200 million in new money to address famine and food security worldwide this year. Of course, strong global growth will help reduce poverty in the world's poorest countries, which again underscores why growth must remain the G8's top priority.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 15, 2003
JS-378

Clarida Departs Treasury and Receives the Treasury Medal

Today Treasury Assistant Secretary for Economic Policy Richard H. Clarida will leave the Treasury Department to return to Columbia University as Professor of Economics and International Affairs. He has served at the Treasury Department since September 11, 2001.

On Monday May 12, 2003, Treasury Secretary John Snow presented Clarida with the Treasury Medal, in recognition of his outstanding service. Secretary Snow delivered the following Citation:

"As Assistant Secretary for Economic Policy, Richard H. Clarida's leadership in implementing the Administration's economic program was invaluable during the difficult and uncertain times following the terrorist attacks of September 11th. His creativity and resourcefulness led to the development of a new real-time economic model for forecasting current quarter GDP that satisfied a growing need for timely and accurate data on the pace of economic activity, a model with a commendable record. He set the standard for making economic information readily accessible to Administration officials through electronic updates, weekly reviews, and special reports, tailoring them to be succinct and relevant to policy-makers.

"Mr. Clarida also played a leading role in the development of the first complete dynamic analysis of a major fiscal policy proposal, the President's Jobs and Growth program, and tirelessly promoted the proposal in the financial community and to the general public. Following the revelations of corporate scandals, his sound advice and wise insight helped form critical corporate governance and financial accounting reform proposals. Mr. Clarida also led major improvement efforts on Social Security and Medicare Trustees Reports analyses to better document and explain the extent of shortfalls facing those essential social insurance programs and the need for reform.

"Mr. Clarida was bold in taking on tough issues not traditionally in the portfolio of Economic Policy. On the domestic side, he furthered Treasury interests in improving the understanding and ability to forecast Federal receipts. His comprehensive, global vision helped clarify the interaction of domestic and foreign economic developments.

He played a vital role in jumpstarting the U.S.--Mexico Partnership for Prosperity, spearheading a plan to create a more efficient housing finance market in Mexico.

"In recognition of his intelligence and wisdom in service to the Treasury Department and the Nation, his steadfast devotion to duty, and his lasting contributions, Richard H. Clarida is awarded the Treasury Medal."

FROM THE OFFICE OF PUBLIC AFFAIRS

May 14, 2003
JS-379

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $81,827 million as of the end of that week, compared to $80,770 million as of the end of the prior week.

I. Official U.S. Reserve Assets *(in US millions)*

	May 2, 2003			May 9, 2003		
TOTAL		80,770			81,827	
1. Foreign Currency Reserves [1]	**Euro**	**Yen**	**TOTAL**	**Euro**	**Yen**	**TOTAL**
a. Securities	7,335	13,207	20,562	7,550	13,421	20,971
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	12,051	2,652	14,703	12,372	2,695	15,067
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]			22,920			23,109
3. Special Drawing Rights (SDRs) [2]			11,542			11,637
4. Gold Stock [3]			11,043			11,043
5. Other Reserve Assets			0			0

II. Predetermined Short-Term Drains on Foreign Currency Assets

	May 2, 2003			May 9, 2003		
	Euro	**Yen**	**TOTAL**	**Euro**	**Yen**	**TOTAL**
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 2, 2003			May 9, 2003		
	Euro	**Yen**	**TOTAL**	**Euro**	**Yen**	**TOTAL**
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						

Notes:

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. Foreign Currency Reserves for the latest week may be subject to revision. Foreign Currency

Reserves for the prior week are final.

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 entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data. IMF data for the latest week may be subject to revision. IMF data for the prior week are final.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

FROM THE OFFICE OF PUBLIC AFFAIRS

May 7, 2003
JS-380

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $80,770 million as of the end of that week, compared to $80,114 million as of the end of the prior week.

I. Official U.S. Reserve Assets *(in US millions)*

	April 25, 2003			May 2, 2003		
TOTAL		80,114			80,770	
1. Foreign Currency Reserves [1]	**Euro**	**Yen**	**TOTAL**	**Euro**	**Yen**	**TOTAL**
a. Securities	7,267	13,081	20,348	7,355	13,207	20,562
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	11,890	2,626	14,516	12,051	2,652	14,703
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]			22,838			22,920
3. Special Drawing Rights (SDRs) [2]			11,309			11,542
4. Gold Stock [3]			11,043			11,043
5. Other Reserve Assets			0			0

II. Predetermined Short-Term Drains on Foreign Currency Assets

	April 25, 2003			May 2, 2003		
	Euro	**Yen**	**TOTAL**	**Euro**	**Yen**	**TOTAL**
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

	April 25, 2003			May 2, 2003		
	Euro	**Yen**	**TOTAL**	**Euro**	**Yen**	**TOTAL**
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						

Notes:

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. Foreign Currency Reserves for the latest week may be subject to revision. Foreign Currency

Reserves for the prior week are final.

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 entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data. IMF data for the latest week may be subject to revision. IMF data for the prior week are final.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

FROM THE OFFICE OF PUBLIC AFFAIRS

April 30, 2003
JS-381

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $80,114 million as of the end of that week, compared to $79,889 million as of the end of the prior week.

I. Official U.S. Reserve Assets *(in US millions)*

	April 18, 2003			April 25, 2003		
TOTAL	**79,889**			**80,114**		
1. Foreign Currency Reserves [1]	**Euro**	**Yen**	**TOTAL**	**Euro**	**Yen**	**TOTAL**
a. Securities	7,147	13,139	20,286	7,267	13,081	20,348
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	11,715	2,638	14,353	11,890	2,626	14,516
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]			22,838			21,838
3. Special Drawing Rights (SDRs) [2]			11,309			11,369
4. Gold Stock [3]			11,043			11,043
5. Other Reserve Assets			0			0

II. Predetermined Short-Term Drains on Foreign Currency Assets

	April 18, 2003			Apri1 25, 2003		
	Euro	**Yen**	**TOTAL**	**Euro**	**Yen**	**TOTAL**
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

	April 18, 2003			April 25, 2003		

	Euro	Yen	TOTAL	Euro	Yen	TOTAL
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						

Notes:

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. Foreign Currency Reserves for the latest week may be subject to revision. Foreign Currency Reserves for the prior week are final.

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 entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data. IMF data for the latest week may be subject to revision. IMF data for the prior week are final.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

April 23, 2003
JS-382

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $79,889 million as of the end of that week, compared to $79,379 million as of the end of the prior week.

I. Official U.S. Reserve Assets *(in US millions)*						
	April 11, 2003			April 18, 2003		
TOTAL	79,379			79,889		
1. Foreign Currency Reserves [1]	Euro	Yen	TOTAL	Euro	Yen	TOTAL
a. Securities	7,060	13,059	20,119	7,147	13,139	20,286
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	11,568	2,622	14,190	11,715	2,638	14,353
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]			22,718			21,838
3. Special Drawing Rights (SDRs) [2]			11,309			11,369
4. Gold Stock [3]			11,043			11,043
5. Other Reserve Assets			0			0

II. Predetermined Short-Term Drains on Foreign Currency Assets						
	April 11, 2003			Apri1 18, 2003		
	Euro	Yen	TOTAL	Euro	Yen	TOTAL
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		
	April 11, 2003	April 18, 2003

	Euro	Yen	TOTAL	Euro	Yen	TOTAL
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						

Notes:

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. Foreign Currency Reserves for the latest week may be subject to revision. Foreign Currency Reserves for the prior week are final.

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 entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data. IMF data for the latest week may be subject to revision. IMF data for the prior week are final.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

FROM THE OFFICE OF PUBLIC AFFAIRS

To view or print the PDF content on this page, download the free Adobe® Acrobat® Reader®.

May 15, 2003
JS-383

Presentation of
Terrorism Risk Insurance Program
Executive Director Jeffrey Bragg
To the
National Council on Compensation Insurance's Annual Symposium
Orlando, Florida

(Slides are attached below)

Slide 1: Introduction

Slide 2:

Good morning and thank you for the opportunity to speak to you this morning on Treasury's progress and plans for implementing the Terrorism Risk Insurance Act of 2002, otherwise referred to as TRIA.

On November 26, 2002, President Bush, in an effort to address the issues you see on the screen before you, signed TRIA into law. The market for terrorism coverage was severely disrupted after 9/11. In addition to wanting to address insurance industry disruptions, the Congress and the President recognized that such widespread dislocations in insurance markets also had a negative impact on businesses' ability to finance economic activity and recovery.

Slide 3:

TRIA effectively places the federal government temporarily in the terrorism risk reinsurance business:
• Providing coverage for commercial lines P&C losses, including workers' compensation.

• Coverage is triggered when the Secretary of the Treasury, in consultation with the Secretary of State and the Attorney General, certifies that an act of foreign terrorism has occurred:
• Which loss is greater than $5 million dollars in the United States and the other areas shown.

Slide 4:

Like any program there are restrictions.

• Deductibles increase over the three year term of the program and are expressed as a percent of an insurer's direct earned premium.

• The federal governments share under the program is equal to 90% of that portion of insured losses that exceed the insurer deductible.

• While there is an annual cap on insured losses: if aggregate insured losses exceed the cap, Congress will determine the procedures for and source of payments for those excess losses.

• There are certain recoupment provisions and the program expires in 2005. (i.e. Riot Reinsurance experience)

Slide 5:

The Terrorism Risk Insurance Program, or TRIP, is itself under the Treasury Department's Office of Domestic Finance (headed by Under Secretary Peter Fisher) and the Office of Financial Institutions (headed by Assistant Secretary Wayne Abernathy).

TRIP's responsibilities include all of the operational functions necessary to effectively implement and manage the program, including all claims management and processing functions.

TRIP is in essence the insurance company created by the new law.

However, two additional Treasury offices play an important part in the program.

Treasury's Office of Economic Policy will be conducting certain studies to determine if the program should be extended to other lines of insurance.

The Office of Financial Institutions Policy will take the lead in promulgating rules and regulations.

TRIP will work closely with both offices as we coordinate our activities.
Slide 6:

Already, substantial progress has been made in implementing the program.

The Office of Financial Institutions Policy has been extremely active in implementing the regulations necessary to support the new Act.

They have issued four interim guidance notices and two interim final rules.

This activity culminated last week in a final proposed rule, which is in its public comment period as we speak.

Among other things these proposed rules address:

• Disclosure to policy holder requirements
• An interpretation of the "make available" provisions
• Guidance on the Lines of Insurance covered under the act
• Which entities are eligible for participation
• Timing of disclosures
• Compliance certification

The NCCI has been very helpful in representing your views to the Treasury Department on these and other issues. However, I urge all of you to review these proposed regulations and to comment on them directly or through your Association. We need your valuable council in implementing this program.

Slide 7:

Even though much has been accomplished, considerable work remains. Program issues remain and many in our industry have expressed concern over such issues as:

• Adverse selection
• Spotty state regulation (spotty state regulation has been around since Moses was a baby)
• Continued Lack of reinsurance availability
• Huge exposures particularly in worker's compensation coverage

In fact, most of these issues have been volatile at various times in the past. And TRIA was passed in part to address them. I believe that over time, the free market will help solve these problems while TRIA contributes to help build capacity and stabilize the market.

Right now, what keeps me awake at night are operational issues.
We need to accomplish all of the things you see before you, and more, in a very short period of time.

Throughout my career, both in the private sector (with PMSC, IMSG and REM) and with my government service, I have been a strong advocate of outsourcing functions that can best be handled by others with more experience and expertise.

I have also where possible created partnerships between the government and private sector, which draws on the strengths of both entities to create a more successful program.

Therefore it should come as no surprise that in implementing this program, we will not be creating a huge infrastructure.

Rather, we will establish a virtual company that permits us to form new partnerships with the private insurance sector, harnessing the insurance industry's talents and skills to make this an effective, streamlined operation.

Once again, I look forward to working with you on this new venture and in closing, thank you for future support and your time today.

Related Documents:

- Slides

Terrorism Risk Insurance Program

Jeffrey S. Bragg
Executive Director
Terrorism Risk Insurance Program Office

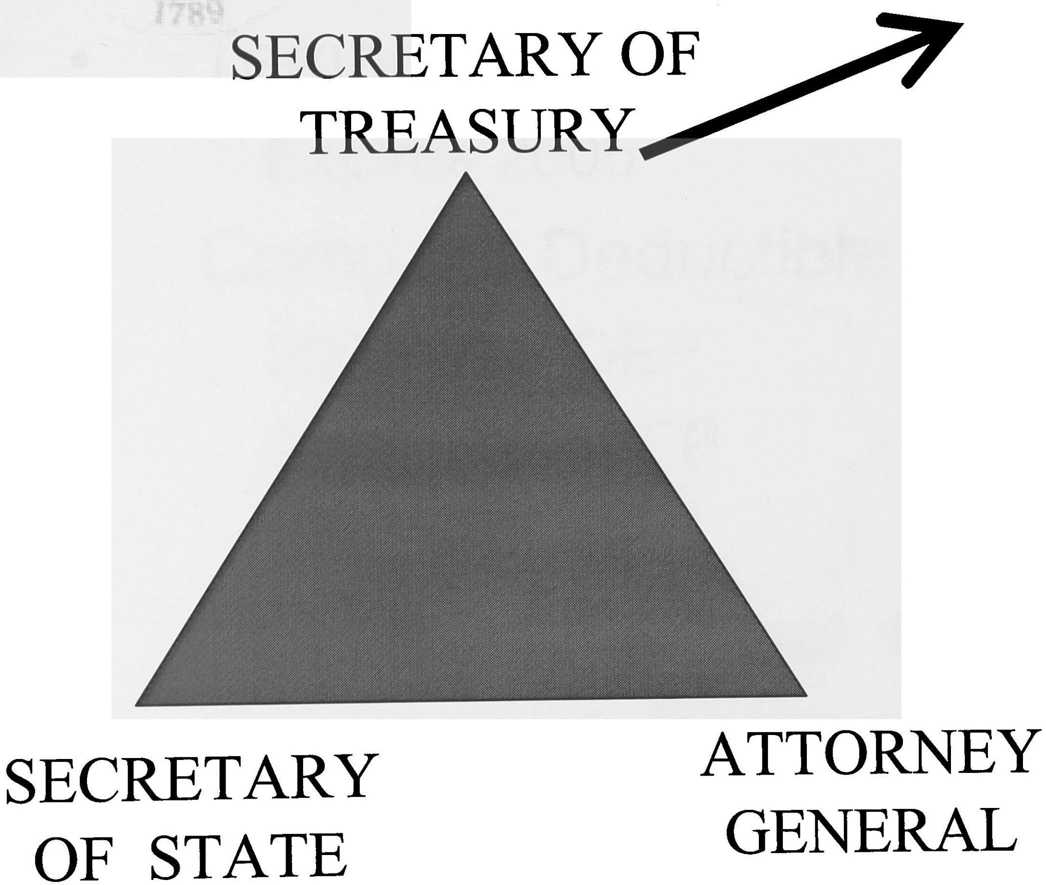
5/15/2003

Terrorism Risk Insurance Program
Purpose

- Address Insurance Market Disruptions
- Ensure Availability Affordability Commercial P & C Terrorism Coverage
- Provide Transition Period
- Stabilize Private Market
- Build Capacity in Private Market

Terrorism Risk Insurance Program

Summary of Program



Certifies Act of Foreign Terrorism
Resulting in Damage >$5M
IN
United States
U.S. Missions
U.S. Air Carriers
U.S. Vessels
FOR
Commercial Lines P&C
Workers Compensation

Terrorism Risk Insurance Program

Restrictions

- Temporary Program

  Expires 2005

- Company Deductible

  2003 7% DEP

  2004 10% DEP

  2005 15% DEP

  + 10% Insured Loss

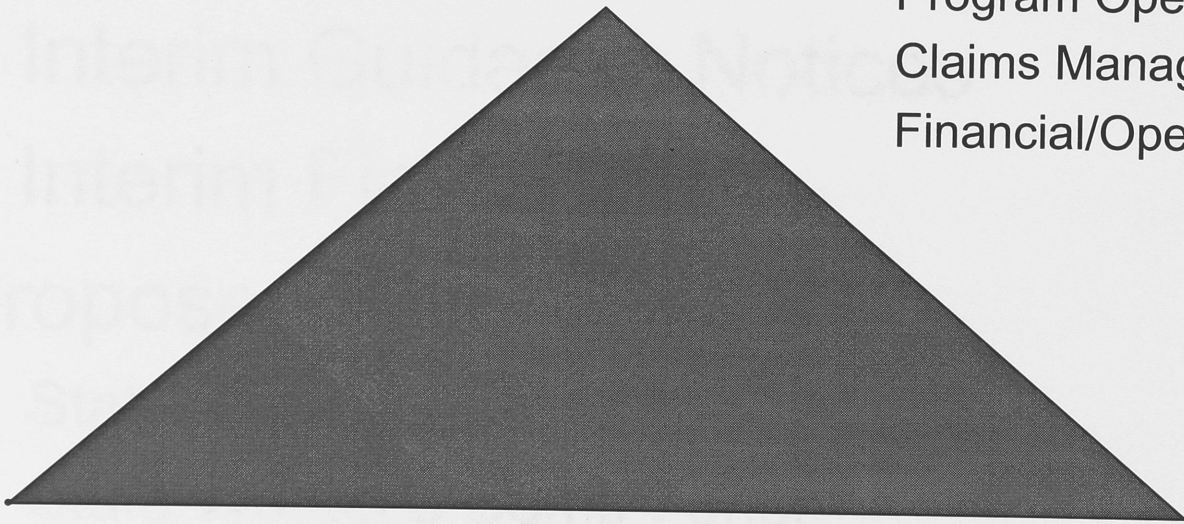
- $100 Billion Annual Cap on Insured Losses
- Recoupment Provisions

Terrorism Risk Insurance Program

Treasury Offices

T.R.I.P.

- Implementation
- Program Management
- Program Operations
- Claims Management /Processing
- Financial/Operational Efficiency



O.E.P.

Studies
- Group Life
- Individual Life
- Personal Lines
- 2005 make available extension

F.I.P.

- Interim Rules
- Program Regulations

5/15/2003

Terrorism Risk Insurance Program
Progress to Date

- 4 Interim Guidance Notices
- 2 Interim Final Rules
- Proposed Rule
  - State Residual Markets
  - State Worker's Comp Funds
- Hire Executive Director

Terrorism Risk Insurance Program
The Future

- Recruit/Hire TRIP Staff
- Establish/Implement Claims Procedures
- Establish Audit /Enforcement Procedures
- Policy Surcharge Recoupment Procedures
- Final Rules
- Establish “Virtual” Company

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 15, 2003
JS-384

Treasury Secretary John Snow Statement on Senate Passage of the Jobs & Growth Package

Tonight, with Senate passage of a bipartisan Jobs & Growth Package, we are one step closer to giving the economy the boost it needs to grow so that millions of Americans can be more secure and confident, both now and in the future.

The Senate bill contains all the elements of the President's plan. American families will benefit from speeding up the income tax rate reductions, increasing the child credit, and providing marriage penalty relief. Small businesses will get help by reducing tax rates on owners and entrepreneurs, and by dramatically increasing the amount they can deduct when buying new equipment. This will create and secure jobs.

I applaud the Senate for taking the bold step of eliminating the unfair double tax on dividends. Enactment of this proposal will have a profoundly positive effect on job creation, corporate governance, and the well being of all Americans. It removes a barrier to higher economic growth; it is an investment in the American people and their prosperity.

Americans are anxiously awaiting the outcome. I urge Congress to quickly get the most robust possible jobs and growth package to the President's desk.

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

FOR IMMEDIATE RELEASE
May 16, 2003

Contact: Office of Financing
(202) 691-3550

TREASURY'S INFLATION-INDEXED SECURITIES JUNE 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 June for the following Treasury inflation-indexed securities:

(1) 3-3/8% 10-year notes due January 15, 2007
(2) 3-5/8% 10-year notes due January 15, 2008
(3) 3-5/8% 30-year bonds due April 15, 2028
(4) 3-7/8% 10-year notes due January 15, 2009
(5) 3-7/8% 30-year bonds due April 15, 2029
(6) 4-1/4% 10-year notes due January 15, 2010
(7) 3-1/2% 10-year notes due January 15, 2011
(8) 3-3/8% 30-1/2-year bonds due April 15, 2032
(9) 3-3/8% 10-year notes due January 15, 2012
(10) 3% 10-year notes due July 15, 2012

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.

The information for July is expected to be released on June 17, 2003.

oOo

June Reference CPI Numbers and Daily Index Ratios Table PDF format (file size-16KB, uploaded-05/16/03)

JS 385

3-3/8% TREASURY 10-YEAR INFLATION-INDEXED NOTES Due January 15, 2007

Ref CPI and Index Ratios for June 2003

Contact: Office of Financing 202-691-3550

DESCRIPTION:	Series A-2007
CUSIP NUMBER:	9128272M3
DATED DATE:	January 15, 1997
ORIGINAL ISSUE DATE:	February 6, 1997
ADDITIONAL ISSUE DATE:	April 15, 1997
MATURITY DATE:	January 15, 2007
Ref CPI on DATED DATE:	158.43548
TABLE FOR MONTH OF:	June 2003
NUMBER OF DAYS IN MONTH:	30

CPI-U (NSA) February 2003	183.1
CPI-U (NSA) March 2003	184.2
CPI-U (NSA) April 2003	183.8

Month	Calendar Day	Year	Ref CPI	Index Ratio
June	1	2003	184.20000	1.16262
June	2	2003	184.18667	1.16253
June	3	2003	184.17333	1.16245
June	4	2003	184.16000	1.16237
June	5	2003	184.14667	1.16228
June	6	2003	184.13333	1.16220
June	7	2003	184.12000	1.16211
June	8	2003	184.10667	1.16203
June	9	2003	184.09333	1.16195
June	10	2003	184.08000	1.16186
June	11	2003	184.06667	1.16178
June	12	2003	184.05333	1.16169
June	13	2003	184.04000	1.16161
June	14	2003	184.02667	1.16152
June	15	2003	184.01333	1.16144
June	16	2003	184.00000	1.16136
June	17	2003	183.98667	1.16127
June	18	2003	183.97333	1.16119
June	19	2003	183.96000	1.16110
June	20	2003	183.94667	1.16102
June	21	2003	183.93333	1.16094
June	22	2003	183.92000	1.16085
June	23	2003	183.90667	1.16077
June	24	2003	183.89333	1.16068
June	25	2003	183.88000	1.16060
June	26	2003	183.86667	1.16051
June	27	2003	183.85333	1.16043
June	28	2003	183.84000	1.16035
June	29	2003	183.82667	1.16026
June	30	2003	183.81333	1.16018

3-5/8% TREASURY 10-YEAR INFLATION-INDEXED NOTES
Due January 15, 2008

Ref CPI and Index Ratios for June 2003

Contact: Office of Financing 202-691-3550

DESCRIPTION:	Series A-2008
CUSIP NUMBER:	9128273T7
DATED DATE:	January 15, 1998
ORIGINAL ISSUE DATE:	January 15, 1998
ADDITIONAL ISSUE DATE:	October 15, 1998
MATURITY DATE:	January 15, 2008
Ref CPI on DATED DATE:	161.55484
TABLE FOR MONTH OF:	June 2003
NUMBER OF DAYS IN MONTH:	30
CPI-U (NSA) February 2003	183.1
CPI-U (NSA) March 2003	184.2
CPI-U (NSA) April 2003	183.8

Month	Calendar Day	Year	Ref CPI	Index Ratio
June	1	2003	184.20000	1.14017
June	2	2003	184.18667	1.14009
June	3	2003	184.17333	1.14001
June	4	2003	184.16000	1.13992
June	5	2003	184.14667	1.13984
June	6	2003	184.13333	1.13976
June	7	2003	184.12000	1.13967
June	8	2003	184.10667	1.13959
June	9	2003	184.09333	1.13951
June	10	2003	184.08000	1.13943
June	11	2003	184.06667	1.13934
June	12	2003	184.05333	1.13926
June	13	2003	184.04000	1.13918
June	14	2003	184.02667	1.13910
June	15	2003	184.01333	1.13901
June	16	2003	184.00000	1.13893
June	17	2003	183.98667	1.13885
June	18	2003	183.97333	1.13877
June	19	2003	183.96000	1.13868
June	20	2003	183.94667	1.13860
June	21	2003	183.93333	1.13852
June	22	2003	183.92000	1.13844
June	23	2003	183.90667	1.13835
June	24	2003	183.89333	1.13827
June	25	2003	183.88000	1.13819
June	26	2003	183.86667	1.13811
June	27	2003	183.85333	1.13802
June	28	2003	183.84000	1.13794
June	29	2003	183.82667	1.13786
June	30	2003	183.81333	1.13778

3-5/8% TREASURY 30-YEAR INFLATION-INDEXED BONDS Due April 15, 2028

Ref CPI and Index Ratios for June 2003

Contact: Office of Financing 202-691-3550

DESCRIPTION:	Bonds of April 2028
CUSIP NUMBER:	912810FD5
DATED DATE:	April 15, 1998
ORIGINAL ISSUE DATE:	April 15, 1998
ADDITIONAL ISSUE DATE:	July 15, 1998
MATURITY DATE:	April 15, 2028
Ref CPI on DATED DATE:	161.74000
TABLE FOR MONTH OF:	June 2003
NUMBER OF DAYS IN MONTH:	30
CPI-U (NSA) February 2003	183.1
CPI-U (NSA) March 2003	184.2
CPI-U (NSA) April 2003	183.8

Month	Calendar Day	Year	Ref CPI	Index Ratio
June	1	2003	184.20000	1.13886
June	2	2003	184.18667	1.13878
June	3	2003	184.17333	1.13870
June	4	2003	184.16000	1.13862
June	5	2003	184.14667	1.13854
June	6	2003	184.13333	1.13845
June	7	2003	184.12000	1.13837
June	8	2003	184.10667	1.13829
June	9	2003	184.09333	1.13821
June	10	2003	184.08000	1.13812
June	11	2003	184.06667	1.13804
June	12	2003	184.05333	1.13796
June	13	2003	184.04000	1.13788
June	14	2003	184.02667	1.13779
June	15	2003	184.01333	1.13771
June	16	2003	184.00000	1.13763
June	17	2003	183.98667	1.13755
June	18	2003	183.97333	1.13746
June	19	2003	183.96000	1.13738
June	20	2003	183.94667	1.13730
June	21	2003	183.93333	1.13722
June	22	2003	183.92000	1.13713
June	23	2003	183.90667	1.13705
June	24	2003	183.89333	1.13697
June	25	2003	183.88000	1.13689
June	26	2003	183.86667	1.13680
June	27	2003	183.85333	1.13672
June	28	2003	183.84000	1.13664
June	29	2003	183.82667	1.13656
June	30	2003	183.81333	1.13647

3-7/8% TREASURY 10-YEAR INFLATION-INDEXED NOTES Due January 15, 2009

Ref CPI and Index Ratios for June 2003

Contact: Office of Financing 202-691-3550

DESCRIPTION:	Series A-2009
CUSIP NUMBER:	9128274Y5
DATED DATE:	January 15, 1999
ORIGINAL ISSUE DATE:	January 15, 1999
ADDITIONAL ISSUE DATE:	July 15, 1999
MATURITY DATE:	January 15, 2009
Ref CPI on DATED DATE:	164.00000
TABLE FOR MONTH OF:	June 2003
NUMBER OF DAYS IN MONTH:	30
CPI-U (NSA) February 2003	183.1
CPI-U (NSA) March 2003	184.2
CPI-U (NSA) April 2003	183.8

Month	Calendar Day	Year	Ref CPI	Index Ratio
June	1	2003	184.20000	1.12317
June	2	2003	184.18667	1.12309
June	3	2003	184.17333	1.12301
June	4	2003	184.16000	1.12293
June	5	2003	184.14667	1.12285
June	6	2003	184.13333	1.12276
June	7	2003	184.12000	1.12268
June	8	2003	184.10667	1.12260
June	9	2003	184.09333	1.12252
June	10	2003	184.08000	1.12244
June	11	2003	184.06667	1.12236
June	12	2003	184.05333	1.12228
June	13	2003	184.04000	1.12220
June	14	2003	184.02667	1.12211
June	15	2003	184.01333	1.12203
June	16	2003	184.00000	1.12195
June	17	2003	183.98667	1.12187
June	18	2003	183.97333	1.12179
June	19	2003	183.96000	1.12171
June	20	2003	183.94667	1.12163
June	21	2003	183.93333	1.12154
June	22	2003	183.92000	1.12146
June	23	2003	183.90667	1.12138
June	24	2003	183.89333	1.12130
June	25	2003	183.88000	1.12122
June	26	2003	183.86667	1.12114
June	27	2003	183.85333	1.12106
June	28	2003	183.84000	1.12098
June	29	2003	183.82667	1.12089
June	30	2003	183.81333	1.12081

3-7/8% TREASURY 30-YEAR INFLATION-INDEXED BONDS
Due April 15, 2029

Ref CPI and Index Ratios for June 2003

Contact: Office of Financing 202-691-3550

DESCRIPTION:	Bonds of April 2029
CUSIP NUMBER:	912810FH6
DATED DATE:	April 15, 1999
ORIGINAL ISSUE DATE:	April 15, 1999
ADDITIONAL ISSUE DATE:	October 15, 1999
	October 15, 2000
MATURITY DATE:	April 15, 2029
Ref CPI on DATED DATE:	164.39333
TABLE FOR MONTH OF:	June 2003
NUMBER OF DAYS IN MONTH:	30
CPI-U (NSA) February 2003	183.1
CPI-U (NSA) March 2003	184.2
CPI-U (NSA) April 2003	183.8

Month	Calendar Day	Year	Ref CPI	Index Ratio
June	1	2003	184.20000	1.12048
June	2	2003	184.18667	1.12040
June	3	2003	184.17333	1.12032
June	4	2003	184.16000	1.12024
June	5	2003	184.14667	1.12016
June	6	2003	184.13333	1.12008
June	7	2003	184.12000	1.12000
June	8	2003	184.10667	1.11992
June	9	2003	184.09333	1.11983
June	10	2003	184.08000	1.11975
June	11	2003	184.06667	1.11967
June	12	2003	184.05333	1.11959
June	13	2003	184.04000	1.11951
June	14	2003	184.02667	1.11943
June	15	2003	184.01333	1.11935
June	16	2003	184.00000	1.11927
June	17	2003	183.98667	1.11919
June	18	2003	183.97333	1.11910
June	19	2003	183.96000	1.11902
June	20	2003	183.94667	1.11894
June	21	2003	183.93333	1.11886
June	22	2003	183.92000	1.11878
June	23	2003	183.90667	1.11870
June	24	2003	183.89333	1.11862
June	25	2003	183.88000	1.11854
June	26	2003	183.86667	1.11846
June	27	2003	183.85333	1.11837
June	28	2003	183.84000	1.11829
June	29	2003	183.82667	1.11821
June	30	2003	183.81333	1.11813

4-1/4% TREASURY 10-YEAR INFLATION-INDEXED NOTES
Due January 15, 2010

Ref CPI and Index Ratios for June 2003

Contact: Office of Financing 202-691-3550

DESCRIPTION:	Series A-2010
CUSIP NUMBER:	9128275W8
DATED DATE:	January 15, 2000
ORIGINAL ISSUE DATE:	January 18, 2000
ADDITIONAL ISSUE DATE:	July 17, 2000
MATURITY DATE:	January 15, 2010
Ref CPI on DATED DATE:	168.24516
TABLE FOR MONTH OF:	June 2003
NUMBER OF DAYS IN MONTH:	30
CPI-U (NSA) February 2003	183.1
CPI-U (NSA) March 2003	184.2
CPI-U (NSA) April 2003	183.8

Month	Calendar Day	Year	Ref CPI	Index Ratio
June	1	2003	184.20000	1.09483
June	2	2003	184.18667	1.09475
June	3	2003	184.17333	1.09467
June	4	2003	184.16000	1.09459
June	5	2003	184.14667	1.09451
June	6	2003	184.13333	1.09443
June	7	2003	184.12000	1.09436
June	8	2003	184.10667	1.09428
June	9	2003	184.09333	1.09420
June	10	2003	184.08000	1.09412
June	11	2003	184.06667	1.09404
June	12	2003	184.05333	1.09396
June	13	2003	184.04000	1.09388
June	14	2003	184.02667	1.09380
June	15	2003	184.01333	1.09372
June	16	2003	184.00000	1.09364
June	17	2003	183.98667	1.09356
June	18	2003	183.97333	1.09348
June	19	2003	183.96000	1.09340
June	20	2003	183.94667	1.09333
June	21	2003	183.93333	1.09325
June	22	2003	183.92000	1.09317
June	23	2003	183.90667	1.09309
June	24	2003	183.89333	1.09301
June	25	2003	183.88000	1.09293
June	26	2003	183.86667	1.09285
June	27	2003	183.85333	1.09277
June	28	2003	183.84000	1.09269
June	29	2003	183.82667	1.09261
June	30	2003	183.81333	1.09253

3-1/2% TREASURY 10-YEAR INFLATION-INDEXED NOTES Due January 15, 2011

Ref CPI and Index Ratios for June 2003

Contact: Office of Financing 202-691-3550

DESCRIPTION:	Series A-2011
CUSIP NUMBER:	9128276R8
DATED DATE:	January 15, 2001
ORIGINAL ISSUE DATE:	January 16, 2001
ADDITIONAL ISSUE DATE:	July 16, 2001
MATURITY DATE:	January 15, 2011
Ref CPI on DATED DATE:	174.04516
TABLE FOR MONTH OF:	June 2003
NUMBER OF DAYS IN MONTH:	30
CPI-U (NSA) February 2003	183.1
CPI-U (NSA) March 2003	184.2
CPI-U (NSA) April 2003	183.8

Month	Calendar Day	Year	Ref CPI	Index Ratio
June	1	2003	184.20000	1.05835
June	2	2003	184.18667	1.05827
June	3	2003	184.17333	1.05819
June	4	2003	184.16000	1.05812
June	5	2003	184.14667	1.05804
June	6	2003	184.13333	1.05796
June	7	2003	184.12000	1.05789
June	8	2003	184.10667	1.05781
June	9	2003	184.09333	1.05773
June	10	2003	184.08000	1.05766
June	11	2003	184.06667	1.05758
June	12	2003	184.05333	1.05750
June	13	2003	184.04000	1.05743
June	14	2003	184.02667	1.05735
June	15	2003	184.01333	1.05727
June	16	2003	184.00000	1.05720
June	17	2003	183.98667	1.05712
June	18	2003	183.97333	1.05704
June	19	2003	183.96000	1.05697
June	20	2003	183.94667	1.05689
June	21	2003	183.93333	1.05681
June	22	2003	183.92000	1.05674
June	23	2003	183.90667	1.05666
June	24	2003	183.89333	1.05658
June	25	2003	183.88000	1.05651
June	26	2003	183.86667	1.05643
June	27	2003	183.85333	1.05635
June	28	2003	183.84000	1.05628
June	29	2003	183.82667	1.05620
June	30	2003	183.81333	1.05612

3-3/8% TREASURY 30-1/2-YEAR INFLATION-INDEXED BONDS Due April 15, 2032

Ref CPI and Index Ratios for June 2003

Contact: Office of Financing 202-691-3550

DESCRIPTION:	Bonds of April 2032
CUSIP NUMBER:	912810FQ6
DATED DATE:	October 15, 2001
ORIGINAL ISSUE DATE:	October 15, 2001
ADDITIONAL ISSUE DATE:	
MATURITY DATE:	April 15, 2032
Ref CPI on DATED DATE:	177.50000
TABLE FOR MONTH OF:	June 2003
NUMBER OF DAYS IN MONTH:	30
CPI-U (NSA) February 2003	183.1
CPI-U (NSA) March 2003	184.2
CPI-U (NSA) April 2003	183.8

Month	Calendar Day	Year	Ref CPI	Index Ratio
June	1	2003	184.20000	1.03775
June	2	2003	184.18667	1.03767
June	3	2003	184.17333	1.03760
June	4	2003	184.16000	1.03752
June	5	2003	184.14667	1.03745
June	6	2003	184.13333	1.03737
June	7	2003	184.12000	1.03730
June	8	2003	184.10667	1.03722
June	9	2003	184.09333	1.03715
June	10	2003	184.08000	1.03707
June	11	2003	184.06667	1.03700
June	12	2003	184.05333	1.03692
June	13	2003	184.04000	1.03685
June	14	2003	184.02667	1.03677
June	15	2003	184.01333	1.03669
June	16	2003	184.00000	1.03662
June	17	2003	183.98667	1.03654
June	18	2003	183.97333	1.03647
June	19	2003	183.96000	1.03639
June	20	2003	183.94667	1.03632
June	21	2003	183.93333	1.03624
June	22	2003	183.92000	1.03617
June	23	2003	183.90667	1.03609
June	24	2003	183.89333	1.03602
June	25	2003	183.88000	1.03594
June	26	2003	183.86667	1.03587
June	27	2003	183.85333	1.03579
June	28	2003	183.84000	1.03572
June	29	2003	183.82667	1.03564
June	30	2003	183.81333	1.03557

3-3/8% TREASURY 10-YEAR INFLATION-INDEXED NOTES Due January 15, 2012

Ref CPI and Index Ratios for June 2003

Contact: Office of Financing 202-691-3550

DESCRIPTION:	Series A-2012
CUSIP NUMBER:	9128277J5
DATED DATE:	January 15, 2002
ORIGINAL ISSUE DATE:	January 15, 2002
ADDITIONAL ISSUE DATE:	
MATURITY DATE:	January 15, 2012
Ref CPI on DATED DATE:	177.56452
TABLE FOR MONTH OF:	June 2003
NUMBER OF DAYS IN MONTH:	30
CPI-U (NSA) February 2003	183.1
CPI-U (NSA) March 2003	184.2
CPI-U (NSA) April 2003	183.8

Month	Calendar Day	Year	Ref CPI	Index Ratio
June	1	2003	184.20000	1.03737
June	2	2003	184.18667	1.03729
June	3	2003	184.17333	1.03722
June	4	2003	184.16000	1.03714
June	5	2003	184.14667	1.03707
June	6	2003	184.13333	1.03699
June	7	2003	184.12000	1.03692
June	8	2003	184.10667	1.03684
June	9	2003	184.09333	1.03677
June	10	2003	184.08000	1.03669
June	11	2003	184.06667	1.03662
June	12	2003	184.05333	1.03654
June	13	2003	184.04000	1.03647
June	14	2003	184.02667	1.03639
June	15	2003	184.01333	1.03632
June	16	2003	184.00000	1.03624
June	17	2003	183.98667	1.03617
June	18	2003	183.97333	1.03609
June	19	2003	183.96000	1.03602
June	20	2003	183.94667	1.03594
June	21	2003	183.93333	1.03587
June	22	2003	183.92000	1.03579
June	23	2003	183.90667	1.03572
June	24	2003	183.89333	1.03564
June	25	2003	183.88000	1.03557
June	26	2003	183.86667	1.03549
June	27	2003	183.85333	1.03542
June	28	2003	183.84000	1.03534
June	29	2003	183.82667	1.03527
June	30	2003	183.81333	1.03519

3% TREASURY 10-YEAR INFLATION-INDEXED NOTES
Due July 15, 2012

Ref CPI and Index Ratios for June 2003

Contact: Office of Financing 202-691-3550

DESCRIPTION:	Series C-2012
CUSIP NUMBER:	912828AF7
DATED DATE:	July 15, 2002
ORIGINAL ISSUE DATE:	July 15, 2002
ADDITIONAL ISSUE DATE:	October 15, 2002 January 15, 2003
MATURITY DATE:	July 15, 2012
Ref CPI on DATED DATE:	179.80000
TABLE FOR MONTH OF:	June 2003
NUMBER OF DAYS IN MONTH:	30
CPI-U (NSA) February 2003	183.1
CPI-U (NSA) March 2003	184.2
CPI-U (NSA) April 2003	183.8

Month	Calendar Day	Year	Ref CPI	Index Ratio
June	1	2003	184.20000	1.02447
June	2	2003	184.18667	1.02440
June	3	2003	184.17333	1.02432
June	4	2003	184.16000	1.02425
June	5	2003	184.14667	1.02418
June	6	2003	184.13333	1.02410
June	7	2003	184.12000	1.02403
June	8	2003	184.10667	1.02395
June	9	2003	184.09333	1.02388
June	10	2003	184.08000	1.02380
June	11	2003	184.06667	1.02373
June	12	2003	184.05333	1.02366
June	13	2003	184.04000	1.02358
June	14	2003	184.02667	1.02351
June	15	2003	184.01333	1.02343
June	16	2003	184.00000	1.02336
June	17	2003	183.98667	1.02329
June	18	2003	183.97333	1.02321
June	19	2003	183.96000	1.02314
June	20	2003	183.94667	1.02306
June	21	2003	183.93333	1.02299
June	22	2003	183.92000	1.02291
June	23	2003	183.90667	1.02284
June	24	2003	183.89333	1.02277
June	25	2003	183.88000	1.02269
June	26	2003	183.86667	1.02262
June	27	2003	183.85333	1.02254
June	28	2003	183.84000	1.02247
June	29	2003	183.82667	1.02240
June	30	2003	183.81333	1.02232

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

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May 19, 2003
JS-386

Letter by Treasury Secretary Snow regarding the debt ceiling

Debt Ceiling

Related Documents:

- Letter by Treasury Secretary Snow regarding the debt ceiling

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

May 19, 2003

The Honorable J. Dennis Hastert
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

I am notifying you, as required under 5 U.S.C. § 8348 (l)(2), that it is my determination that by reason of the statutory debt limit I will continue to be unable to invest fully the portion of the Civil Service Retirement and Disability Fund (CSRDF) not immediately required to pay beneficiaries. For purposes of the CSRDF statute, I have determined that a "debt issuance suspension period", previously determined to last until July 11, 2003, will last until December 19, 2003. Therefore, during this debt issuance suspension period the Treasury Department will continue to suspend additional investments of amounts credited to the CSRDF and redeem an additional portion of the investments held by the CSRDF, as authorized by law. Beneficiaries will be fully protected and will suffer no adverse consequences. The CSRDF statute requires that the Treasury restore all due interest and principal to the CSRDF as soon as this can be done without exceeding the public debt limit.

This action is necessary because the United States Senate has yet to take up legislation to increase the public debt limit. The Treasury faces payment obligations in late May that cannot be met without an increase in the statutory debt limit. During the latter half of May and through the first week of June, projected incoming receipts will be insufficient to cover government expenditures. Such expenditures include individual and business tax refunds of approximately $21 billion, payments of over $5 billion to active and retired military personnel, payments of over $12 billion to defense vendors, and Social Security and Medicare benefits of over $40 billion.

This final action by the Treasury will provide room under the debt ceiling until on or about May 28, 2003. The Treasury has now taken all prudent and legal steps to avoid reaching the statutory debt limit, including reducing the size of our regular bill auctions and drawing down available cash. An immediate permanent increase in the debt limit is crucial to preserve the confidence in the U.S. Government and to prevent uncertainty that would adversely affect our economic recovery. I therefore strongly urge the Senate to immediately pass the debt limit increase that has already been transmitted by the House.

Sincerely,

John W. Snow

John W. Snow

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
May 19, 2003

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS CASH MANAGEMENT BILLS

The Treasury will auction approximately $4,000 million of 6-day Treasury cash management bills to be issued May 21, 2003.

Tenders for Treasury cash management bills to be held on the book-entry records of *TreasuryDirect* will not be accepted.

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 $100 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

Note: The closing times for receipt of noncompetitive and competitive tenders will be at 11:00 a.m. and 11:30 a.m. eastern daylight saving time, respectively.

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%.

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

JS-387

HIGHLIGHTS OF TREASURY OFFERING
OF 6-DAY CASH MANAGEMENT BILLS

May 19, 2003

Offering Amount .... $ 4,000 million
Maximum Award (35% of Offering Amount) .. $ 1,400 million
Maximum Recognized Bid at a Single Rate . $ 1,400 million
NLP Reporting Threshold .... $ 1,400 million

Description of Offering:

Term and type of security .... 6-day Cash Management Bill
CUSIP number .... 912795 NA 5
Auction date .... May 20, 2003
Issue date .... May 21, 2003
Maturity date .... May 27, 2003
Original issue date .... May 21, 2003
Currently outstanding .... ---
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 $100 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 (NLP) for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position equals or exceeds the NLP reporting threshold stated above.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Receipt of Tenders:

Noncompetitive tenders:
Prior to 11:00 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.

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

FOR IMMEDIATE RELEASE
May 19, 2003

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 4-WEEK, 13-WEEK, AND 26-WEEK BILLS

The Treasury will auction three series of Treasury bills totaling $54,000 million to refund an estimated $44,296 million of publicly held Treasury bills maturing May 22, 2003, and to raise new cash of approximately $9,704 million.

The announcement of the 13-week and 26-week offerings, originally scheduled for May 15, 2003, was postponed on that date.

Tenders for 4-week Treasury bills to be held on the book-entry records of *TreasuryDirect* will not be accepted.

The Federal Reserve System holds $15,283 million of the Treasury bills maturing on May 22, 2003, in the System Open Market Account (SOMA). This amount may be refunded at the highest discount rate of accepted competitive tenders in these auctions. 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 $100 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

Please note that the auctions of the 13-week and 26-week bills will be held on Tuesday, May 20, 2003, and the auction of the 4-week bills will be held on Wednesday, May 21, 2003.

TreasuryDirect customers have requested that we reinvest their maturing holdings of approximately $1,058 million into the 13-week bill and $762 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

JS-388

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED MAY 22, 2003

May 19, 2003

Offering Amount	$22,000 million	$16,000 million	$16,000 million
Maximum Award (35% of Offering Amount)	$ 7,700 million	$ 5,600 million	$ 5,600 million
Maximum Recognized Bid at a Single Rate	$ 7,700 million	$ 5,600 million	$ 5,600 million
NLP Reporting Threshold	$ 7,700 million	$ 5,600 million	$ 5,600 million
NLP Exclusion Amount	$11,400 million	$ 5,300 million	None

Description of Offering:

Term and type of security	28-day bill	91-day bill	182-day bill
CUSIP number	912795 MS 7	912795 NJ 6	912795 NX 5
Auction date	May 21, 2003	May 20, 2003	May 20, 2003
Issue date	May 22, 2003	May 22, 2003	May 22, 2003
Maturity date	June 19, 2003	August 21, 2003	November 20, 2003
Original issue date	December 19, 2002	February 20, 2003	May 22, 2003
Currently outstanding	$43,455 million	$21,672 million	---
Minimum bid amount and multiples	$1,000	$1,000	$1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids: Accepted in full up to $1 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 $100 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 (NLP) for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position equals or exceeds the NLP reporting threshold stated above.

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

Receipt of Tenders:

4-week bill:

Noncompetitive tenders . Prior to 12:00 noon eastern daylight saving time on May 21, 2003
Competitive tenders .... Prior to 1:00 p.m. eastern daylight saving time on May 21, 2003

13-week and 26-week bills:

Noncompetitive tenders . Prior to 12:00 noon eastern daylight saving time on May 20, 2003
Competitive tenders .... Prior to 1:00 p.m. eastern daylight saving time on May 20, 2003

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.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 19, 2003
JS-389

U.S. Treasury Secretary John W. Snow
Remarks to the Hispanic Business Roundtable
May 19, 2003
Loy Henderson Auditorium, U.S. State Dept.

Good morning. It is a pleasure to address the State Department's first Hispanic Business Roundtable, and to join Secretaries Powell and Evans, Ambassador Zoellick, SBA Administrator Baretto and Judge Gonzales for this historic event. It is even more exciting to see so many prominent business leaders in the room -- so many engaged in realizing the economic potential of the United States, and our neighbors in Latin America.

Last month, I made one of my first international trips as Treasury Secretary to three Latin American nations: Brazil, Ecuador and Colombia. I went to emphasize the importance of the region to American economic interests, and to say that we are making trade, growth and stability in Latin America one of our top priorities. It is clear to me that Brazilian and Ecuadorian leaders are on the right track, and Colombia, which has struggled with security issues, has leadership committed to making progress on economic development.

In each of these countries, and in other Latin American nations whose leaders I've met, it seems there is an understanding that the private sector, especially small business, must serve as the engine of economic growth and job creation, while the government's role is to promote a stable, investment-oriented policy environment. That's a wonderful development, and we are looking to build on that understanding with major free trade pacts that will encourage economic cooperation and international investment.

That is also the understanding we have here in the United States, and it is embodied in the President's Jobs & Growth plan, which I am pleased to say has significantly cleared both the House and Senate, and is now headed for negotiations between the two houses.

The plan will help all of the business leaders in this room to invest in this country, create new jobs, and through that growth expand trade with our Spanish speaking neighbors.

Consider a few of the major components. The elimination of the double taxation of dividends, passed in the Senate, will reduce the cost of capital in our economy, allowing businesses like yours to invest more easily in expansion and hiring. Stock values are likely to rise, as a result of the higher tax-effective return on equity, and those stock values will stimulate investment and consumer demand through the wealth effect.

Another part of the plan, the immediate reduction in marginal income tax rates, will put more money in the hands of consumers – every taxpaying American – right away, boosting your sales. Just as valuable, those reduced marginal rates apply directly to the incomes of the small businesses which we know drive so much of our economic activity. Lower marginal income tax rates, passed in both the House and Senate, will free up money for new jobs and equipment in those small businesses.

Another outstanding element of the President's plan for small business is the increased expensing of new business equipment. In the House and Senate plans, that amount has been raised to $100,000 of new equipment annually. That's a real incentive to accelerate investment plans and make new jobs for every business, and it will especially help equipment and technology manufacturers.

We are certainly eager to see the final law come out of committee and onto the President's desk as soon as possible, with all the President's key initiatives in force. The sooner he can sign the bill, the sooner America's families and entrepreneurs can begin to take advantage of the enhanced incentives for growth it provides.

Hispanic-American business leaders, such as those in this room today, represent a strong entrepreneurial culture in the American economy, and you stand to benefit from the President's plan. You also represent a strong voice in favor of the President's plan, and we thank you for that. Keep up the good work, and let your legislators know how you feel.

While your companies do business with all Americans, of every background, it is interesting to note that America's Spanish-speaking population represents the fifth-largest such population in the world. Clearly, that common culture is going to strengthen our relations with our Latin American neighbors, and provides a natural basis for our partnerships. I encourage all of you to look for opportunities for trade and investment in Latin America, as well as here at home.

Just as this administrations policies are designed to make it easier to do business within the United States, we have a number of initiatives aimed at making it easier for you to invest and trade abroad. The Free Trade Area of the Americas agreement is a key initiative for strengthening business-to-business ties in our hemisphere. Negotiations for that agreement are well underway, as I'm sure Ambassador Zoellick will detail. Within the domain of free trade, Treasury is focused on liberalization of trade in financial services, which is essential for strengthening developing economies, and creating credit for growth.

I also want to applaud two of my favorite Hispanic-American government leaders, Rosario Marin, the Treasurer of the United States, and José Fourquet, Executive Director of the Inter-American Development Bank. They are two of our most valuable players at Treasury. Rosario's a great spokesperson for our department and this administration, and I hope everyone here has a chance to meet her and hear her story. José will be speaking to you later today, and I can't think of anyone who has greater insight into the development challenges facing Latin America today, or the way we can work together to make progress.

This administration highly values our economic ties to Latin America, and we value our ties to Latino business and community leaders in the United States. I am confident that with events like today's roundtable, we can set our priorities for investment and development together, and create the greatest gains for job creation and prosperity throughout this country, and throughout our hemisphere.

Thank you.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

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May 20, 2003
JS-390

DAS Tim Bitsberger's Presentations to Fixed Income and Credit Risk Symposium

Treasury Debt Management

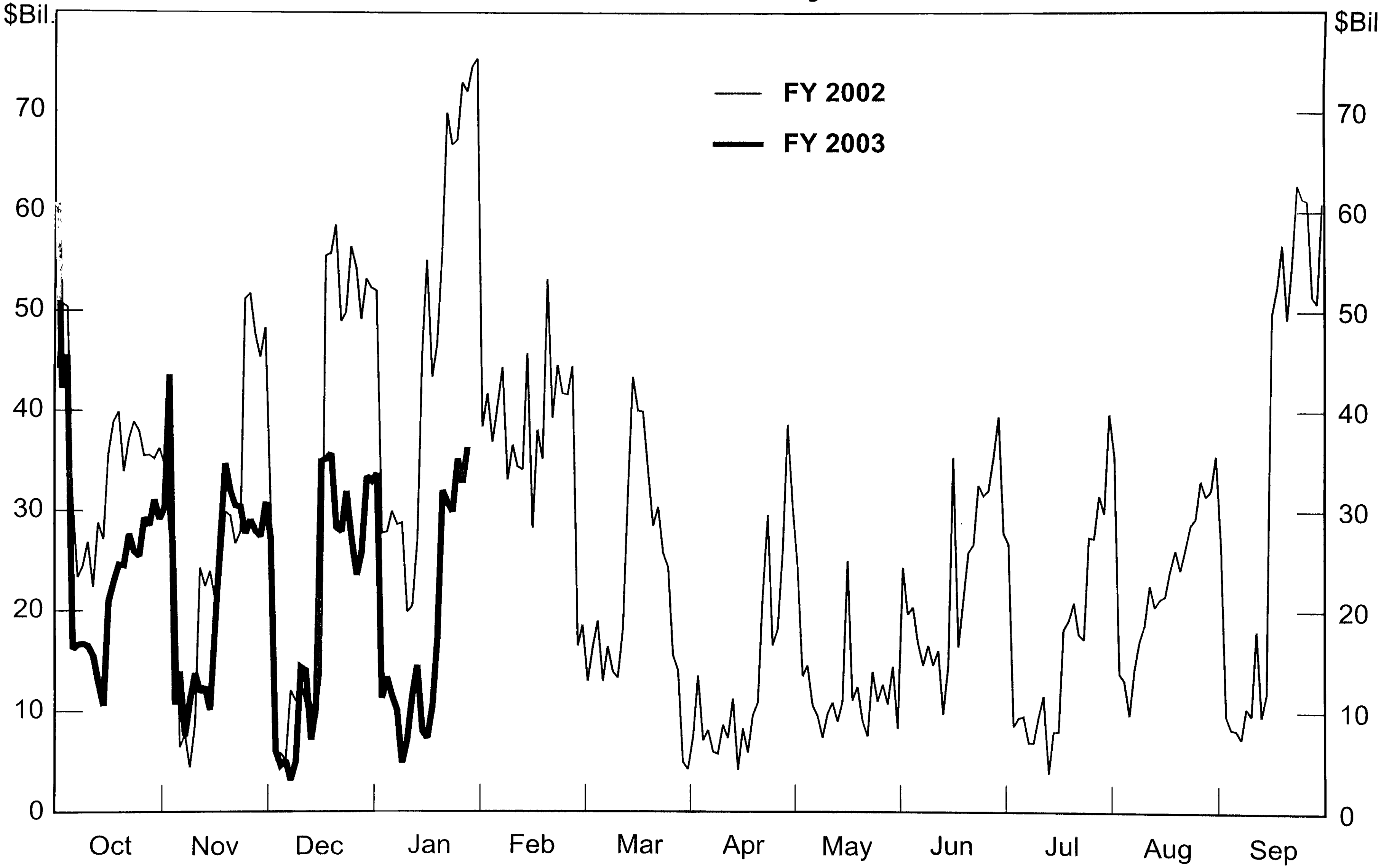
Related Documents:

- Presentation on Debt Management
- Presentation on Inflation-Indexed Securities

Treasury Debt Management

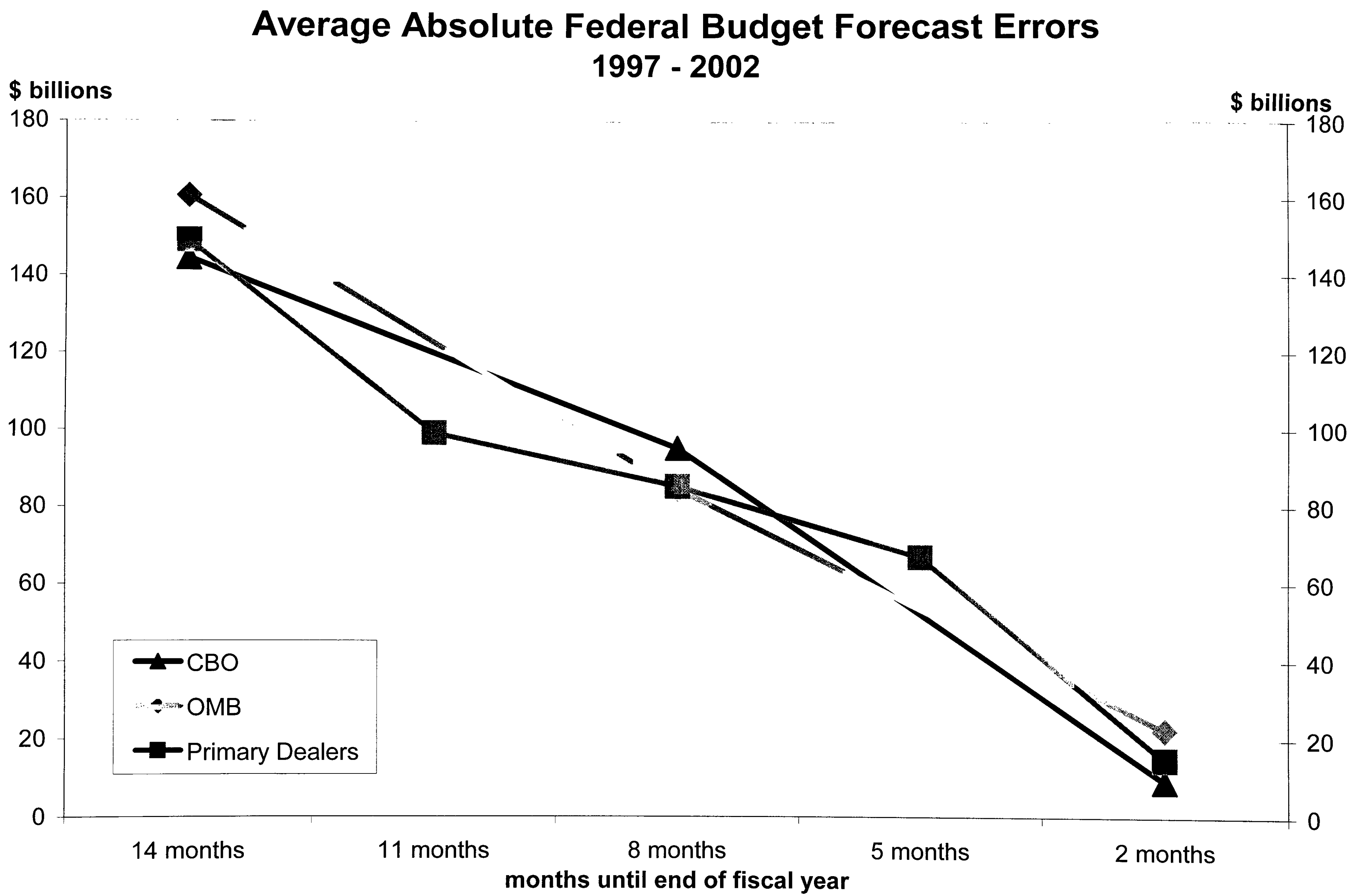
Timothy Bitsberger
Deputy Assistant Secretary
U.S. Treasury Department

Cash balance volatility declines



Treasury Daily Operating Cash Balance

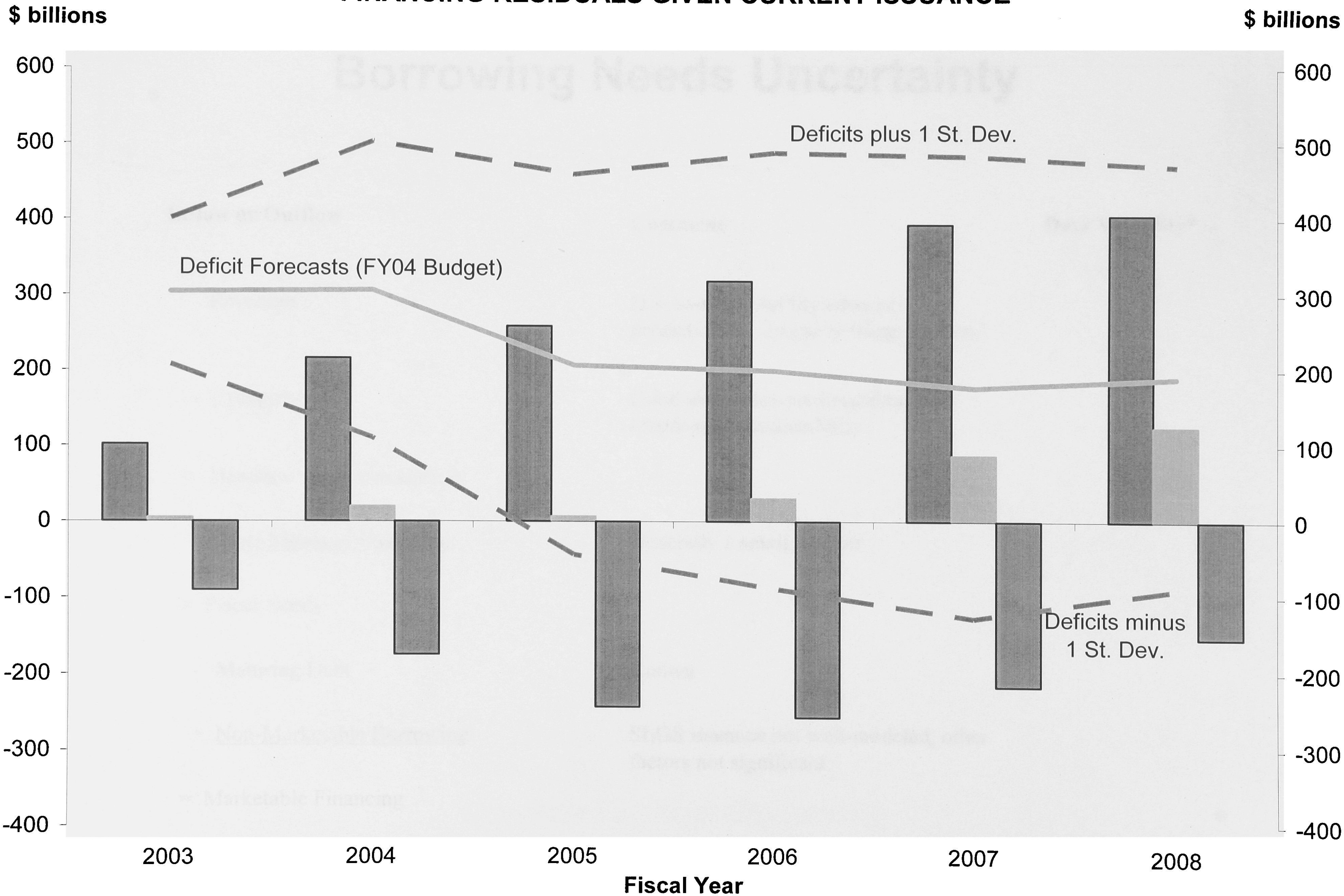
Source: Daily Treasury Statement, data through January 29.



Office of Market Finance
Department of the Treasury

Source: Primary Dealer forecasts provided to Treasury at quarterly dealer interviews
OMB – U.S. Budget and Mid-Session Review
CBO – Budget Outlook and Update

FINANCING RESIDUALS GIVEN CURRENT ISSUANCE

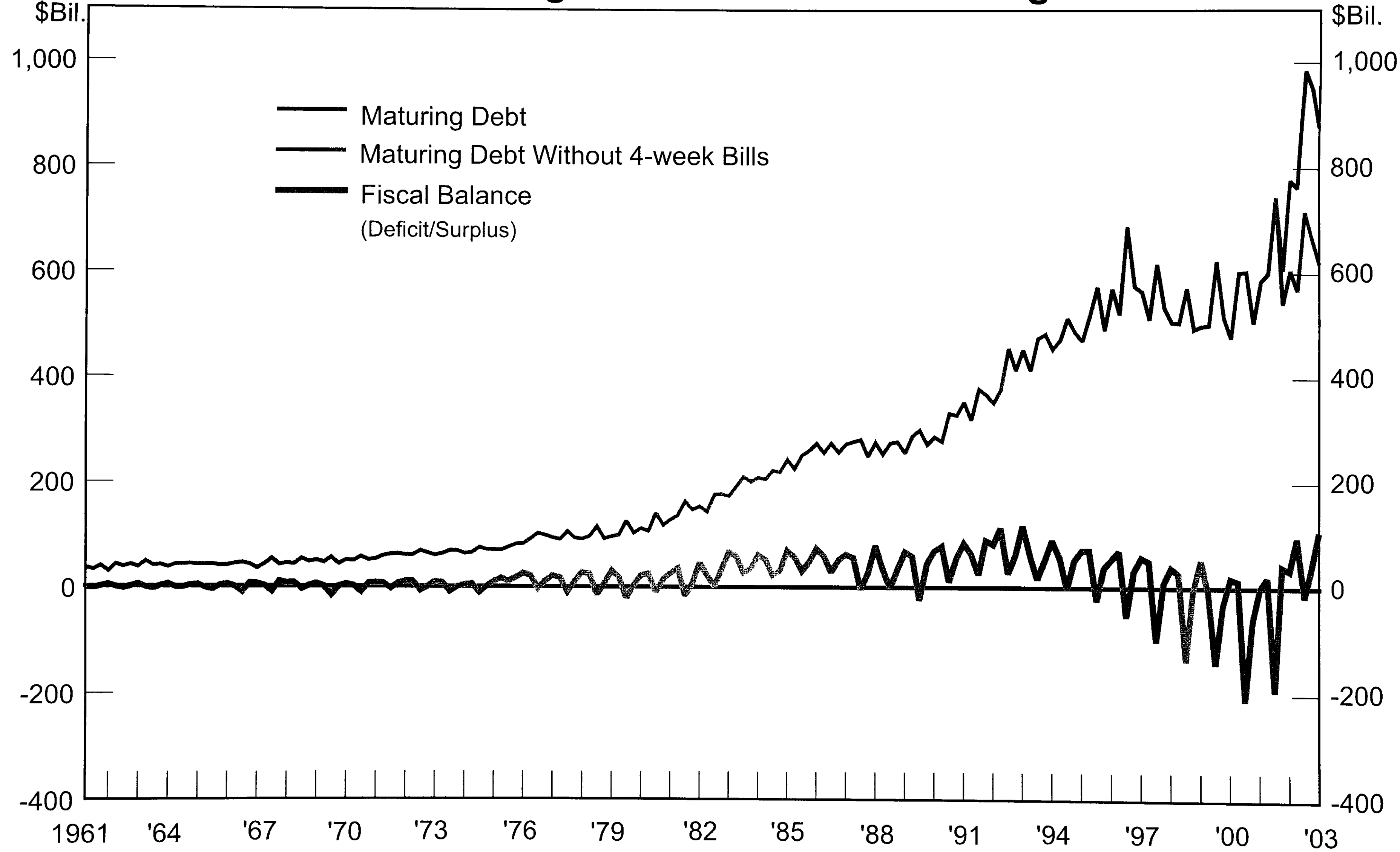


Borrowing Needs Uncertainty

Inflow or Outflow	Comment	Data Volatility*
Revenues	Day-to-day volatility adequate predictability, quarterly filings less so	
- Expenditures	Good short-term predictability, poor longer-term predictability	
= Headline Surplus or Deficit		
- Other Means of Financing	Generally a small number	
= Fiscal Needs		
- Maturing Debt	Known	
+ Non-Marketable Borrowing	SLGS issuance not well-modeled, other factors not significant	
= Marketable Financing		

* Ideally, this column would show the volatility in prediction error, but the forecast of financing components are not currently decomposed.

Refinancing dominates new financing



Quarterly Financial Obligations

Department of the Treasury
Office of Market Finance

February 3, 2003-9

Treasury Financing Requirements

($ Billions)

	January - March 2003 (Projected)	January - March 2003 (Actuals)	April - June 2003 (Projected)
Net Marketable Issuance*	**110**	**111**	**79**
Bills		66	
Nominal Notes		42	
IIS		6	
Bonds (20-yr)		-3	
Financing	**110**	**111**	**79**
Deficit Funding **	116	143	23
Compensating Balances		14	-18
Net Non-Marketable Financing	-3	-2	-5
Change in Cash Balance	8	20	-32
Notes:			
Starting Cash Balance	33	33	13
Ending Cash Balance	25	13	45

* Previously released coupon issuance pattern would raise $214 billion in FY03

** Includes budget results, direct loan activity, changes in accrued interest and checks outstanding and minor miscellaneous transactions.

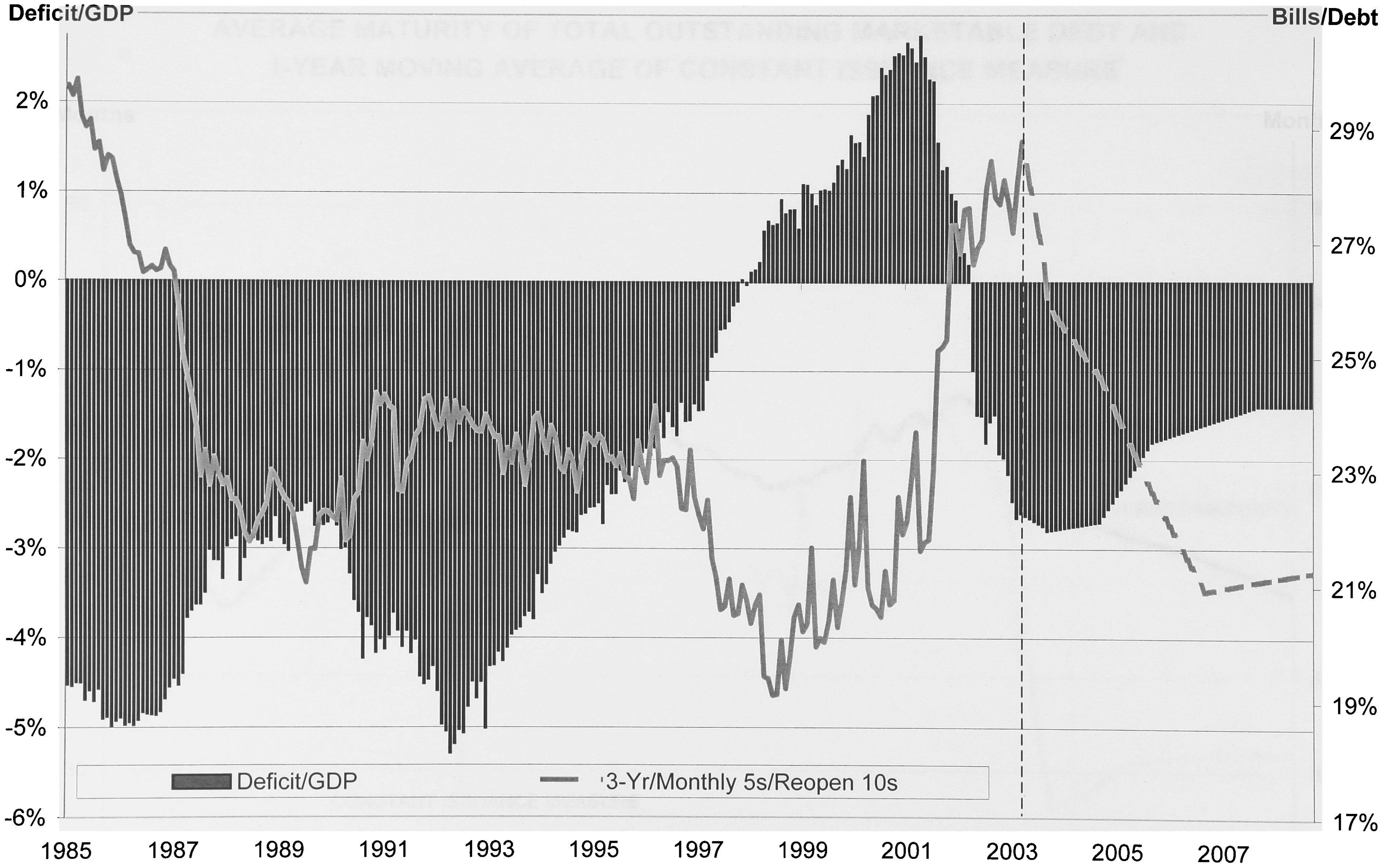
Note: Totals may not add due to rounding

Department of the Treasury

Office of Market Finance

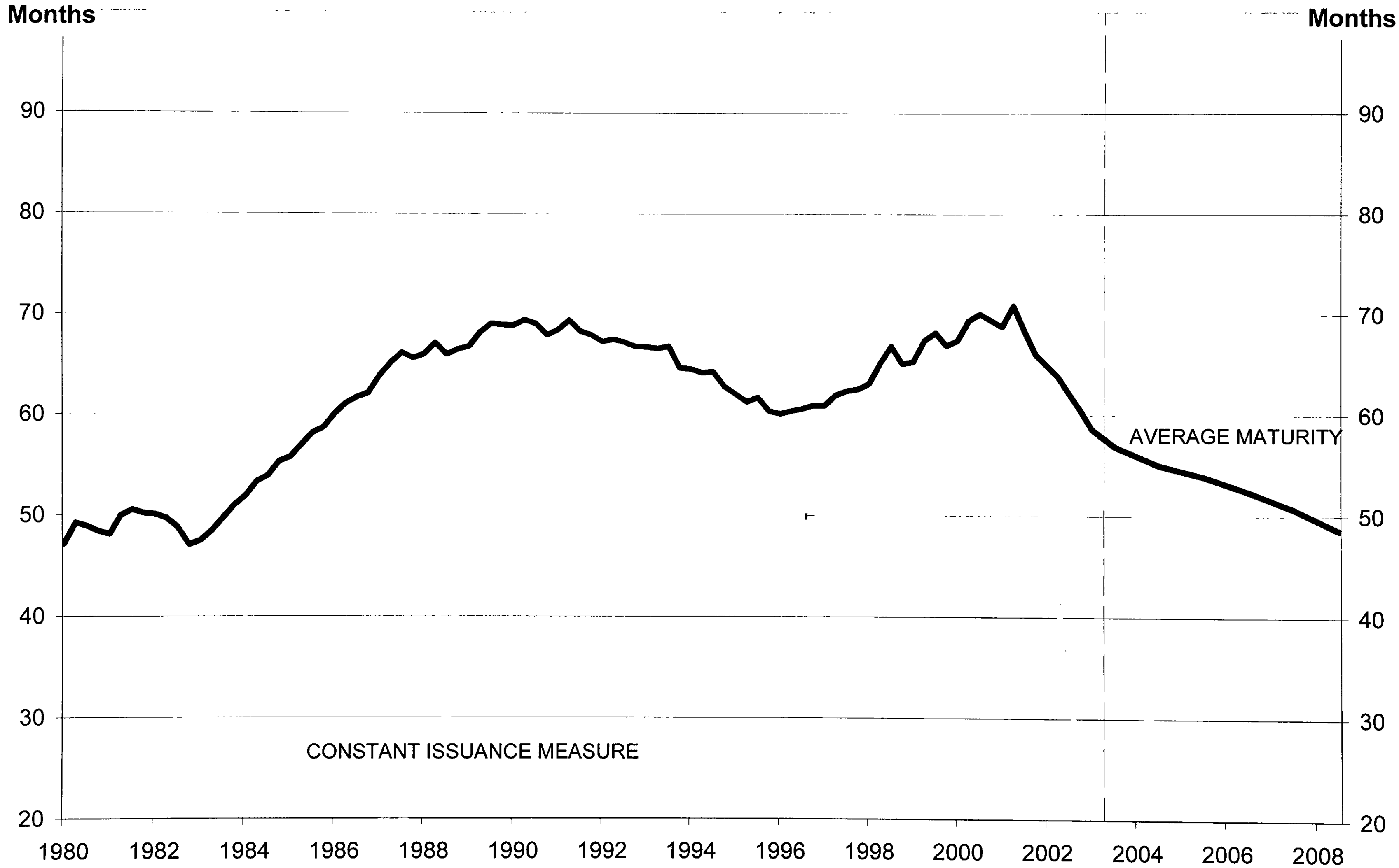
April 28, 2003

BILLS AS A PERCENTAGE OF MARKETABLE DEBT AND DEFICIT AS A PERCENTAGE OF GDP[1]

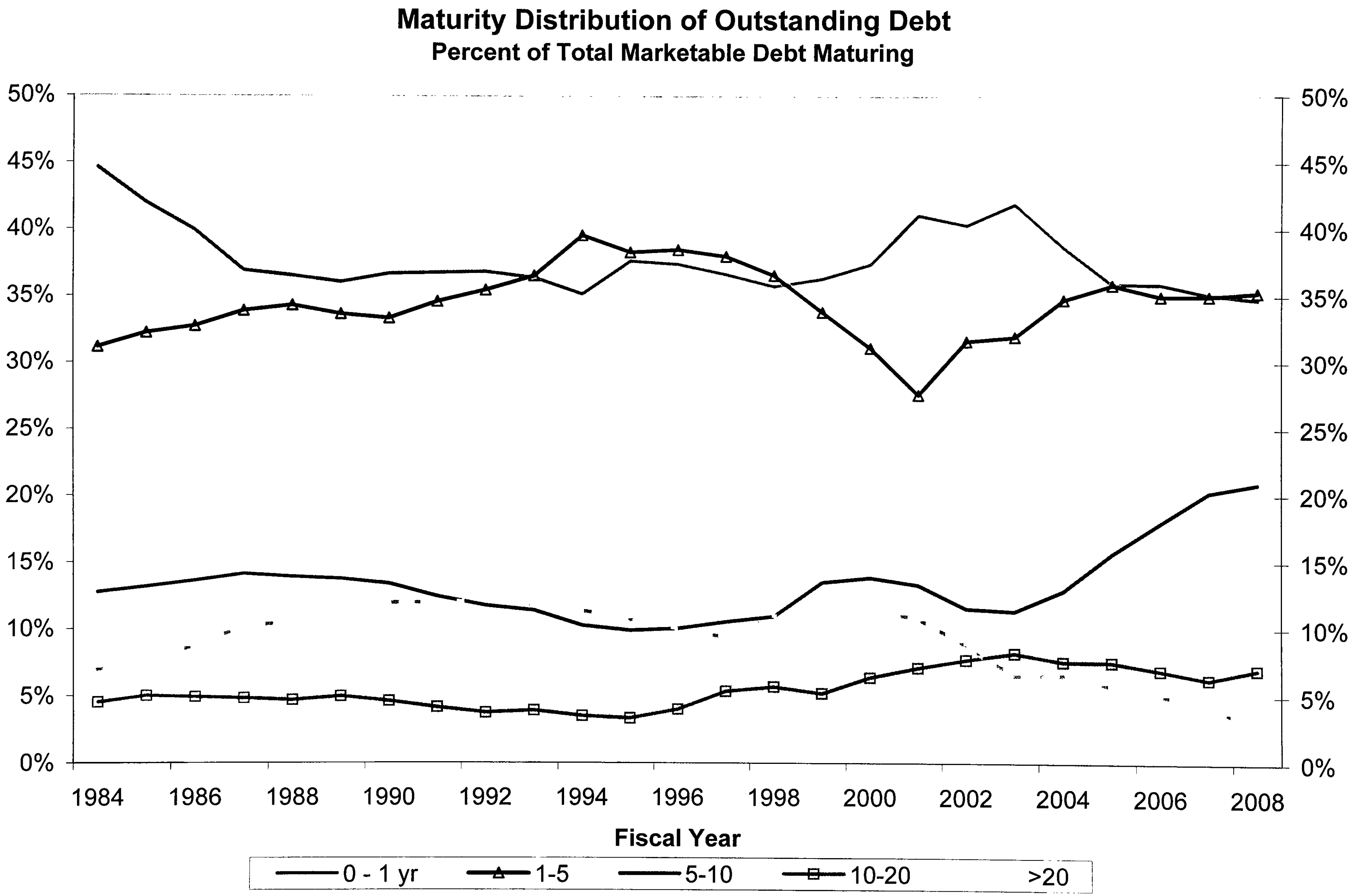


1/ The projected deficits as a percentage of GDP for 2003 to 2008 are from Administration's FY04 Budget. Hypothetical auction sizes for the 3yr, 5yr, 10yr, and 10yr reopening are 18, 15, 16, and 10, respectively.

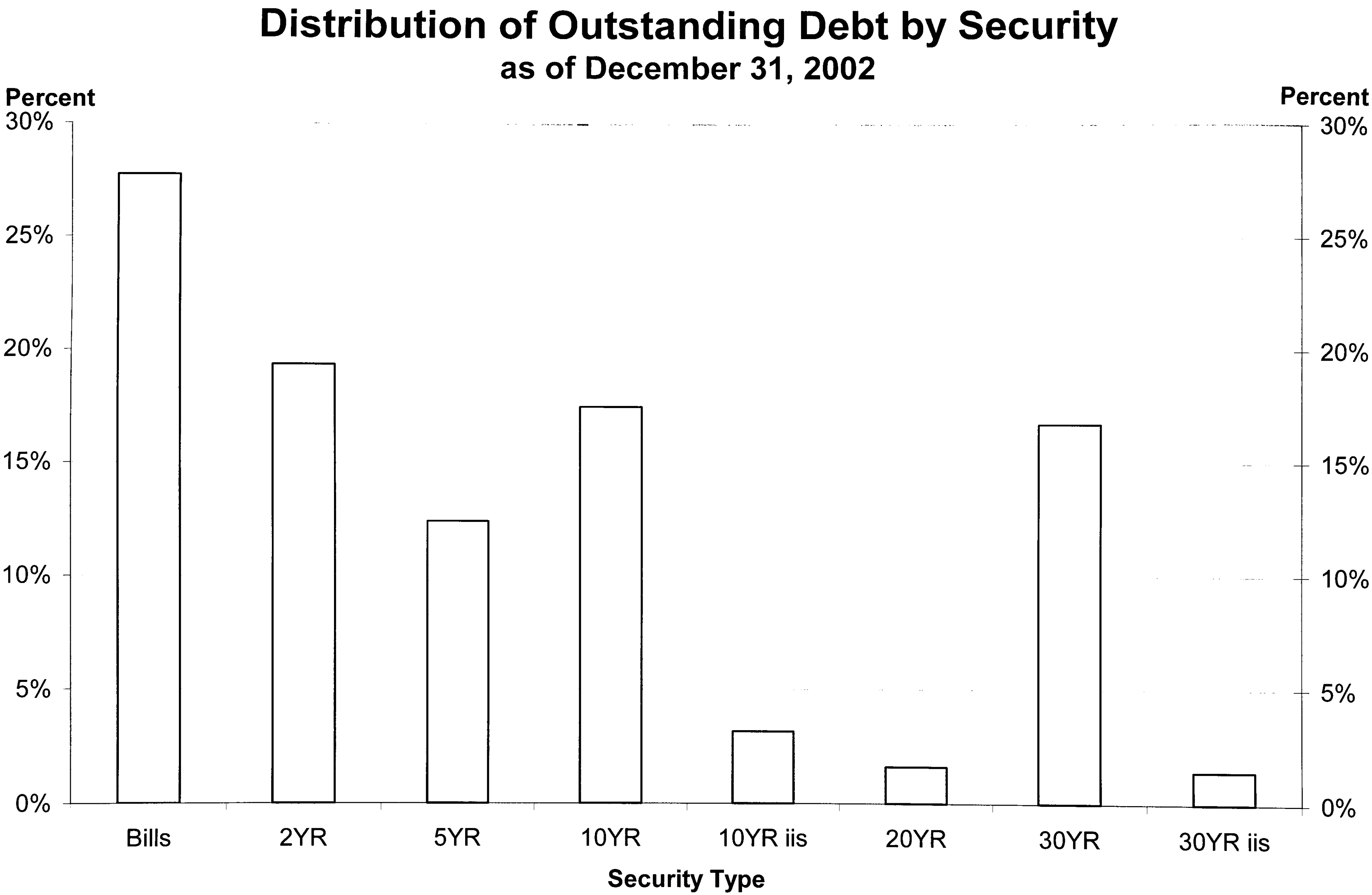
AVERAGE MATURITY OF TOTAL OUTSTANDING MARKETABLE DEBT AND 1-YEAR MOVING AVERAGE OF CONSTANT ISSUANCE MEASURE[1]



1/ The constant issuance measure is the ultimate average maturity achieved if nominal issuance in any given quarter is held constant going forward.

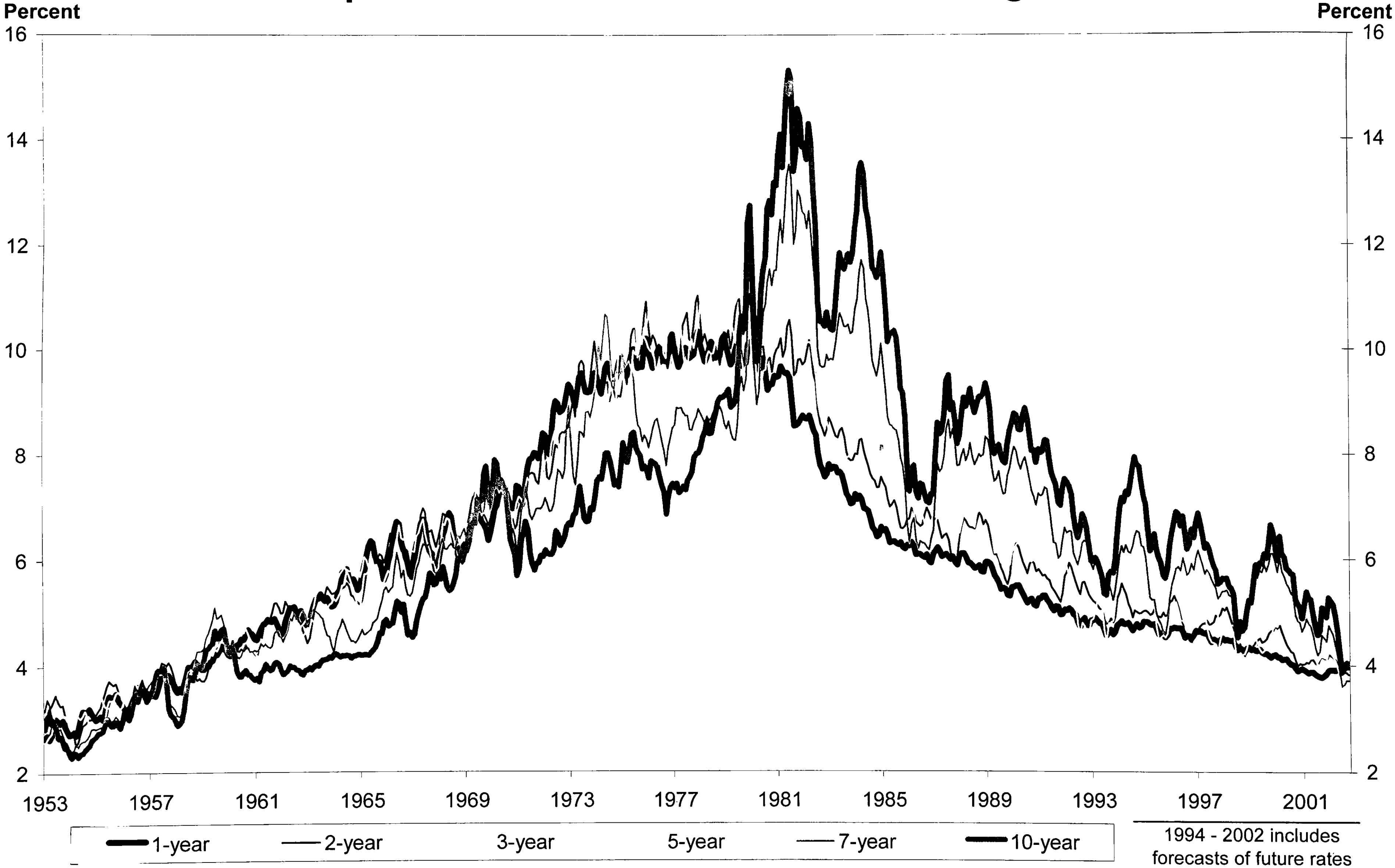


Maturity Distribution of Outstanding Debt
Percent of Total Marketable Debt Maturing
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
Fiscal Year
0 - 1 yr
1-5
5-10
10-20
>20



Office of Market Finance
Department of the Treasury

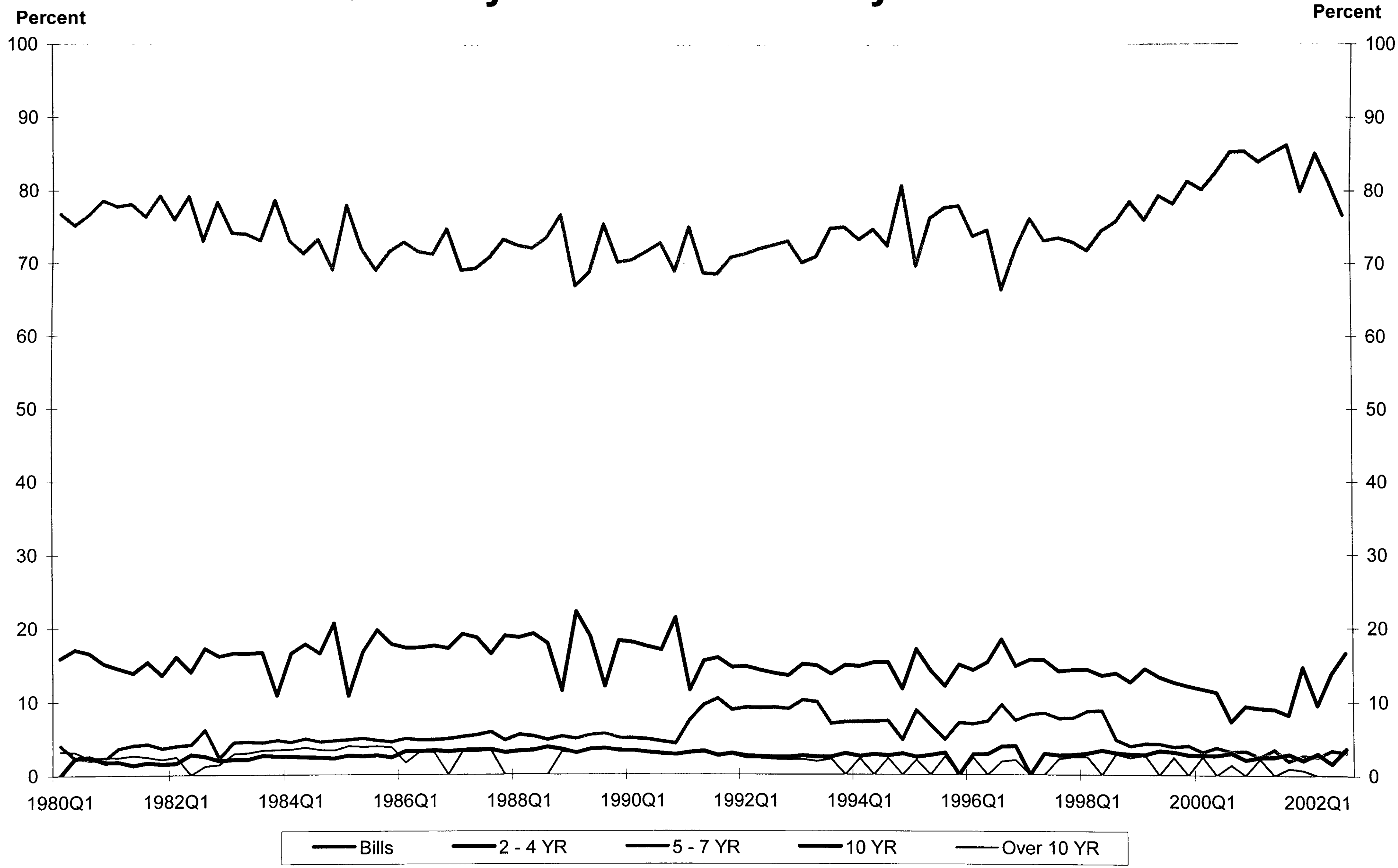
Comparison of Realized 10-Year Borrowing Cost[1/]



Office of Market Finance
Department of the Treasury

1/ Interest cost for a given term to maturity averaged over a rolling 10-year period, using Treasury constant maturity yields.

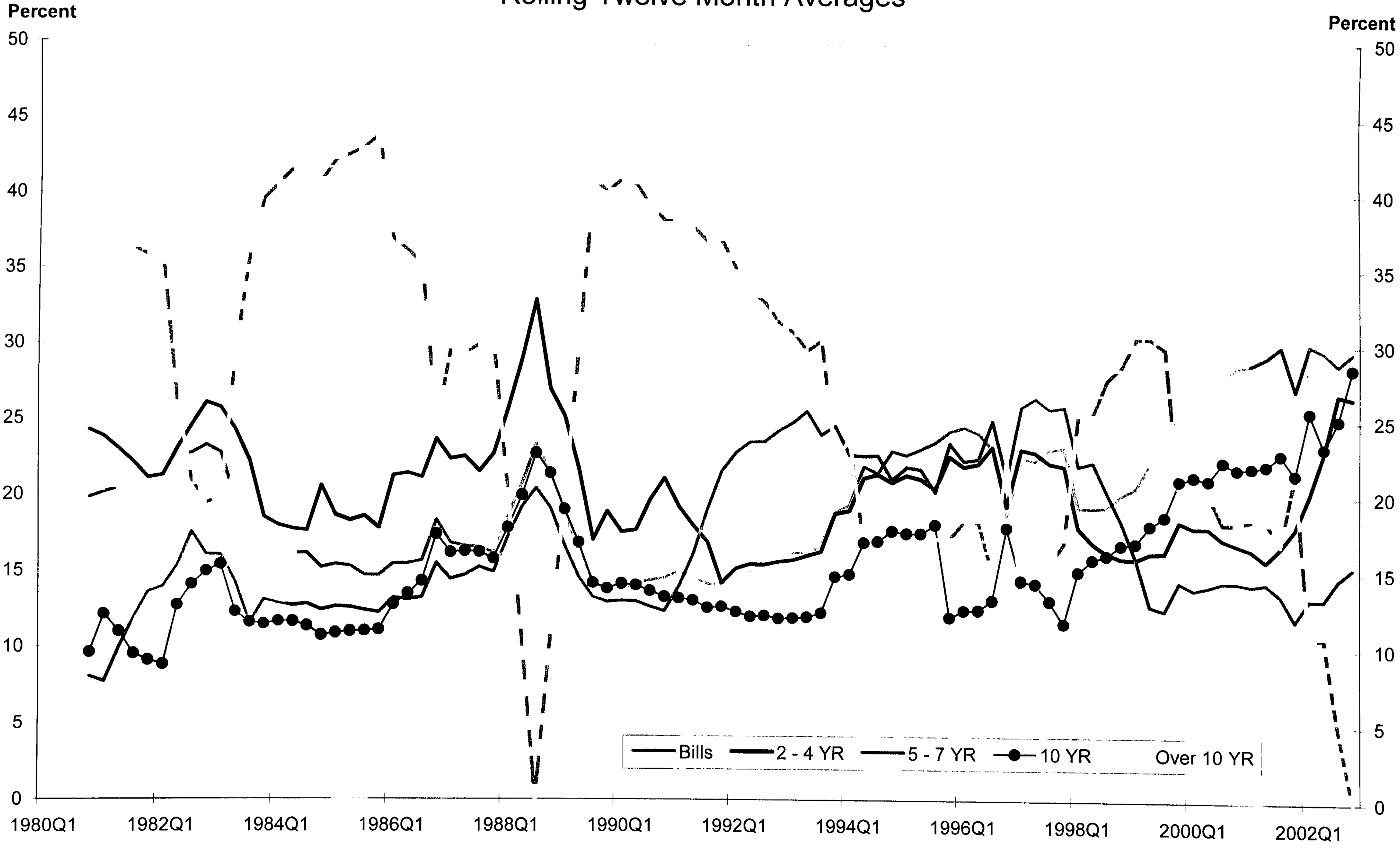
Quarterly Shares of Treasury Issuance



Office of Market Finance
Department of the Treasury

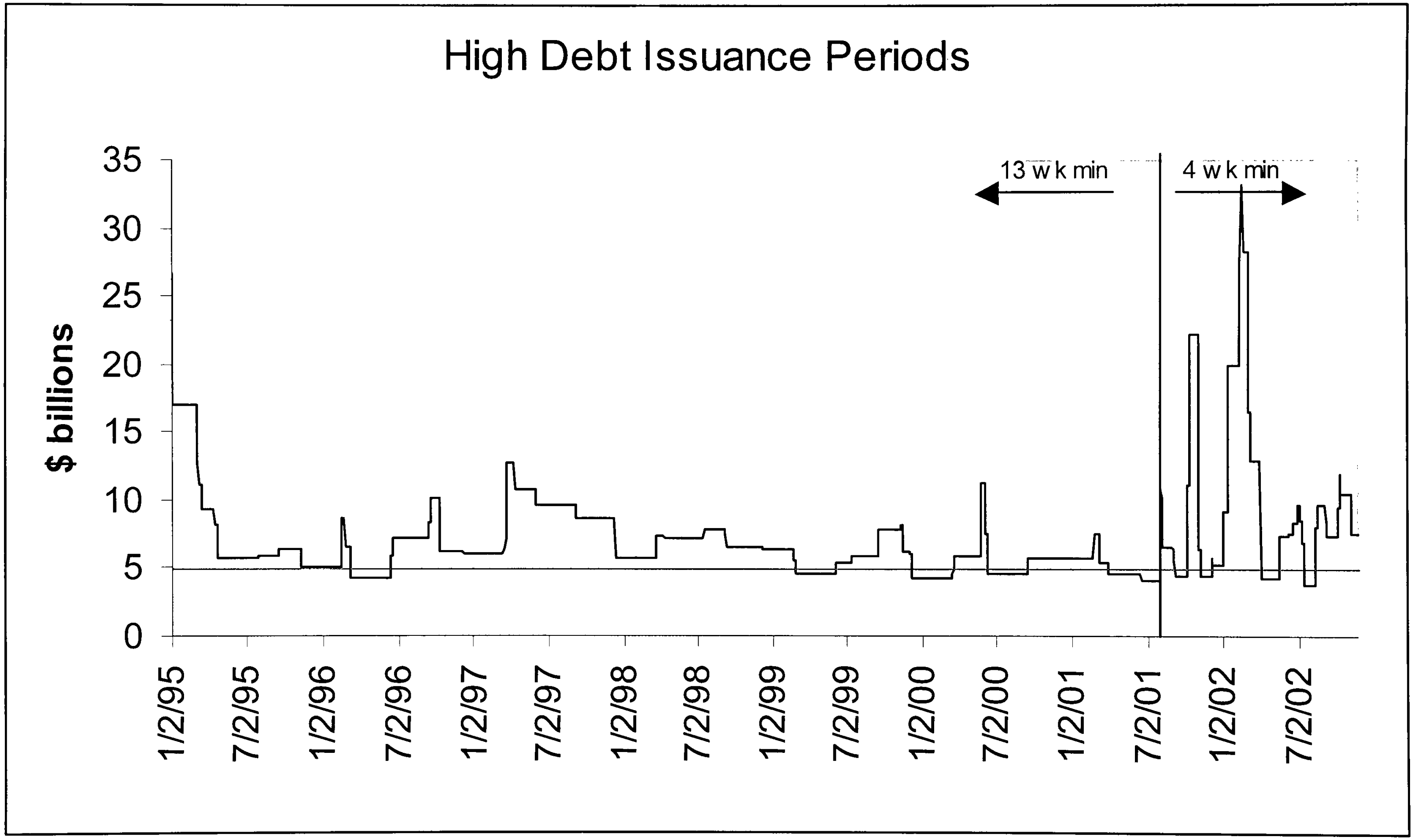
Shares of Constant Issuance Maturity [1/]

Rolling Twelve Month Averages



Office of Market Finance
Department of the Treasury

1/ Constant issuance maturity assumes the distribution of issuance in any given quarter is held constant going forward.


High Debt Issuance Periods
$ billions
35
30
25
20
15
10
5
0
13 wk min
4 wk min
1/2/95
7/2/95
1/2/96
7/2/96
1/2/97
7/2/97
1/2/98
7/2/98
1/2/99
7/2/99
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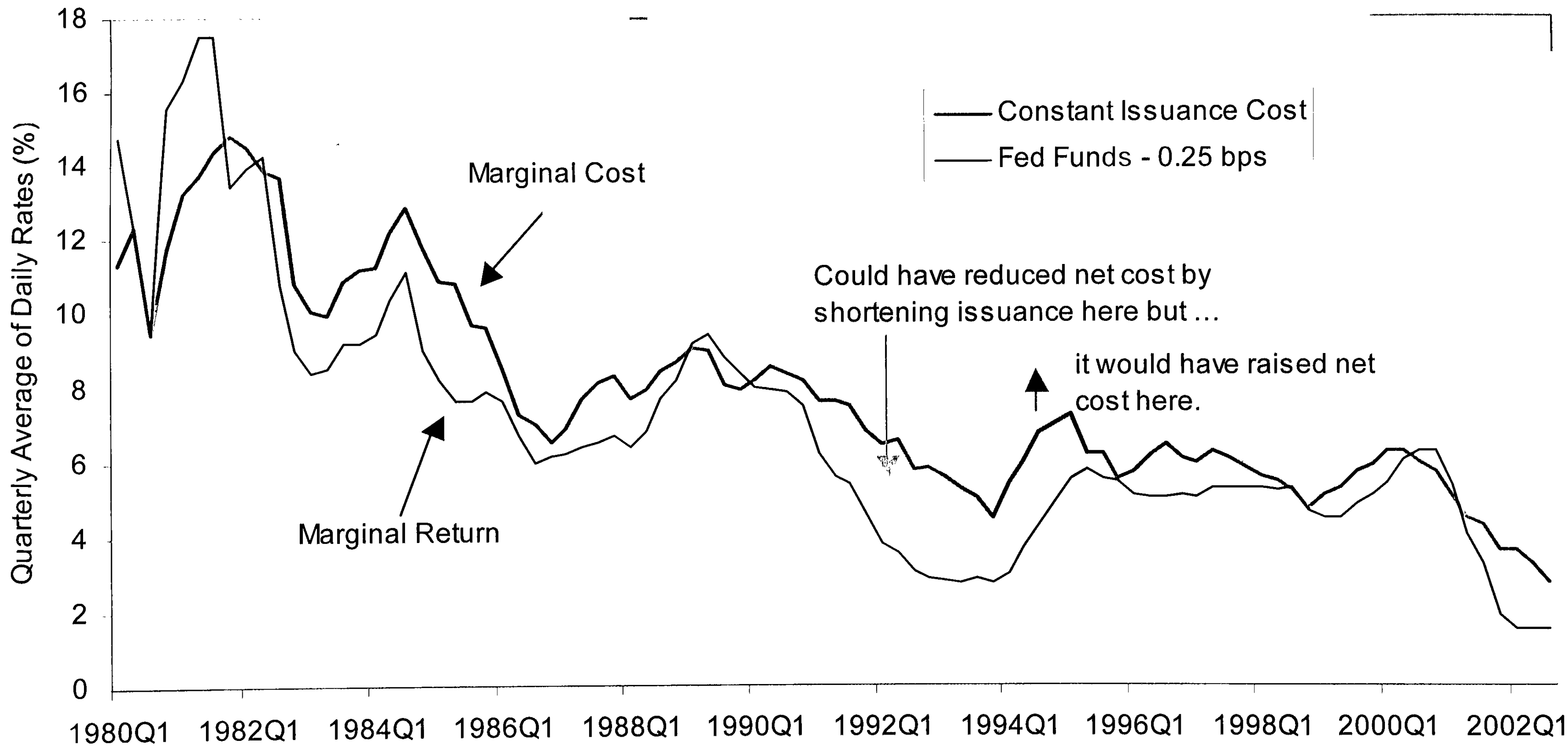
1/2/02
7/2/02

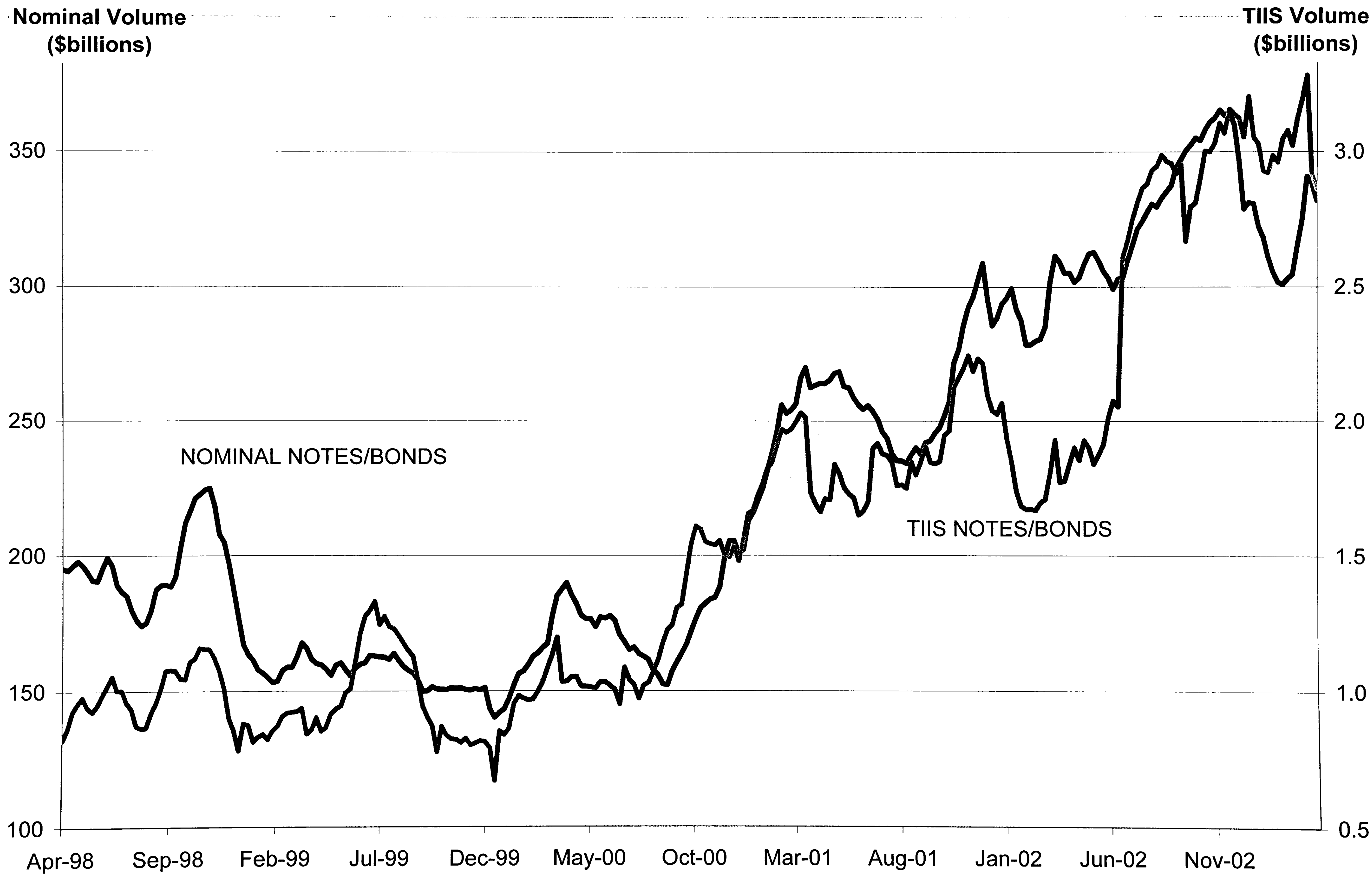
Marginal Cost of, and Returns to, Issuance



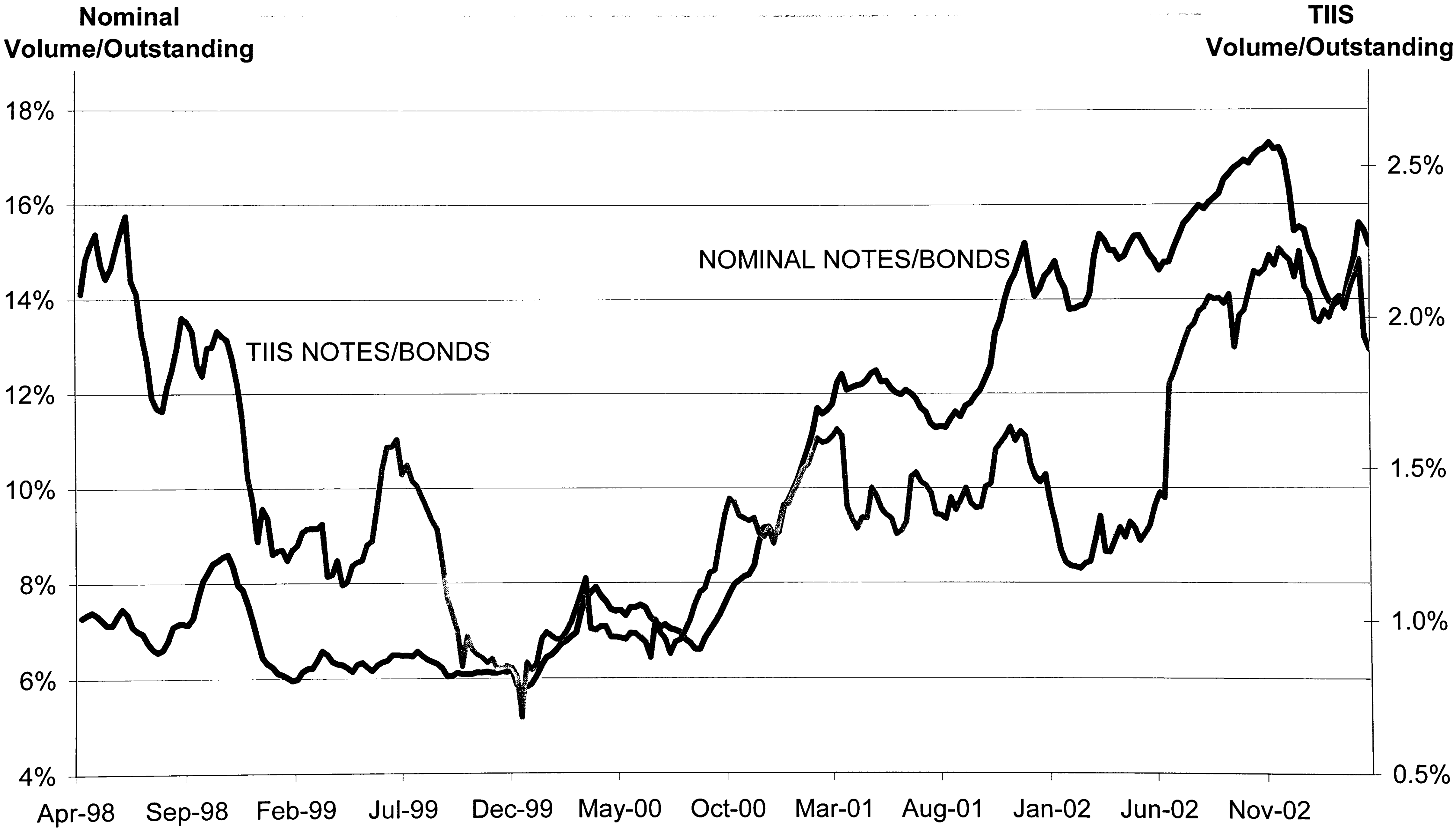
Treasury Debt Management

Timothy Bitsberger
Deputy Assistant Secretary
U.S. Treasury Department

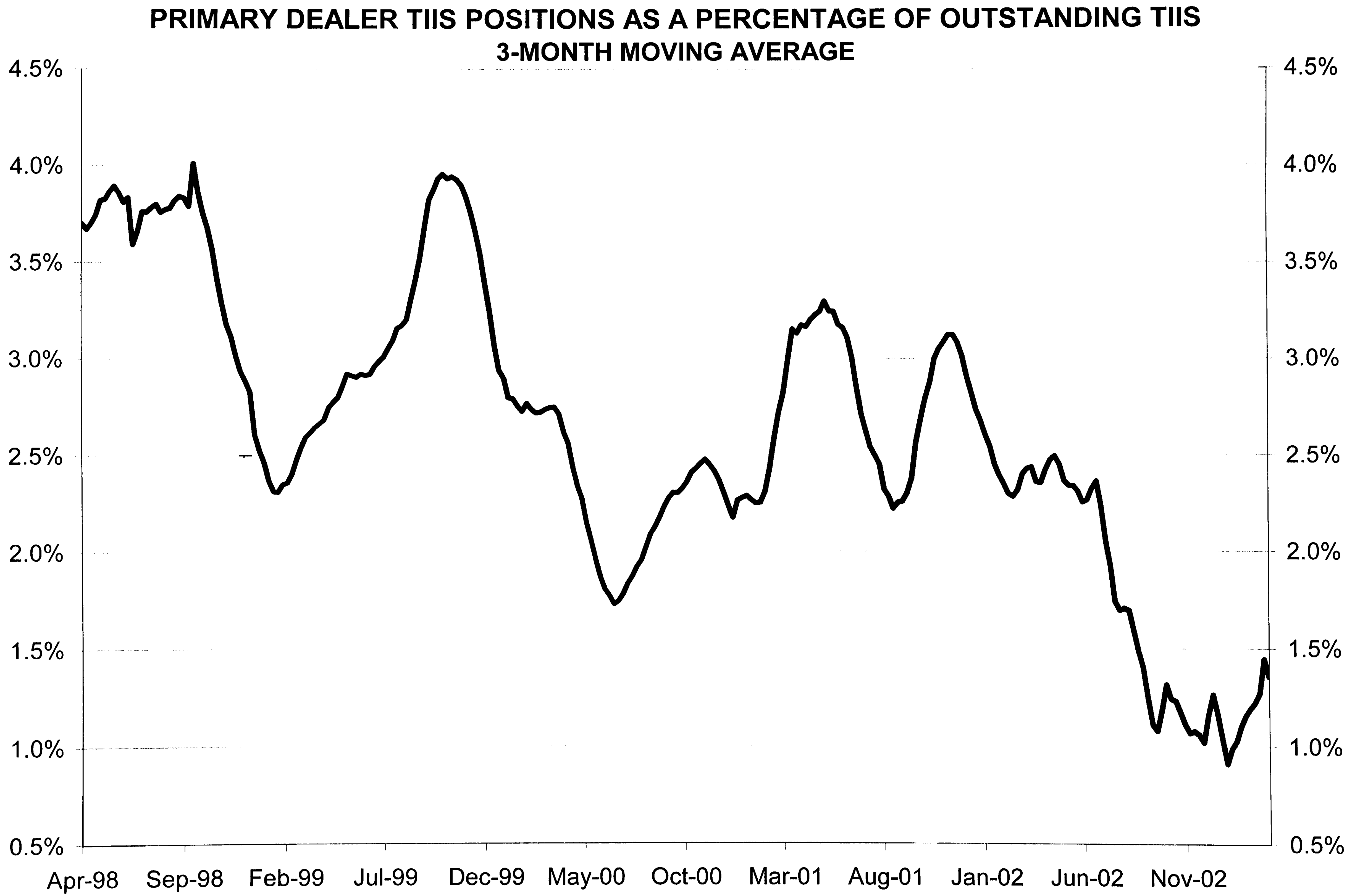
DAILY PRIMARY DEALER TRADING VOLUMES
3-MONTH MOVING AVERAGES



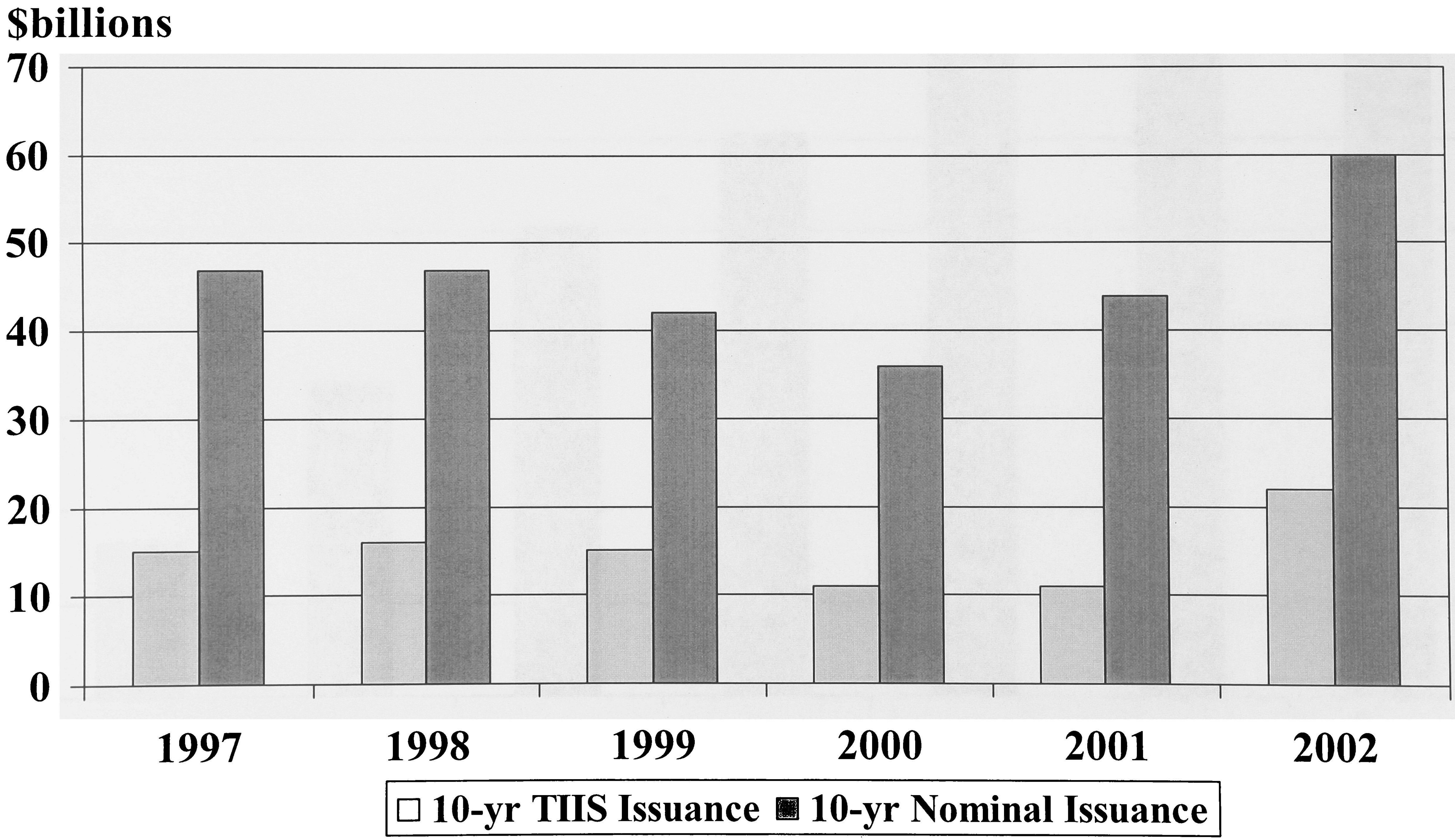
TURNOVER RATIOS FOR NOMINAL AND INFLATION-INDEXED TREASURIES[1]
3-MONTH MOVING AVERAGES



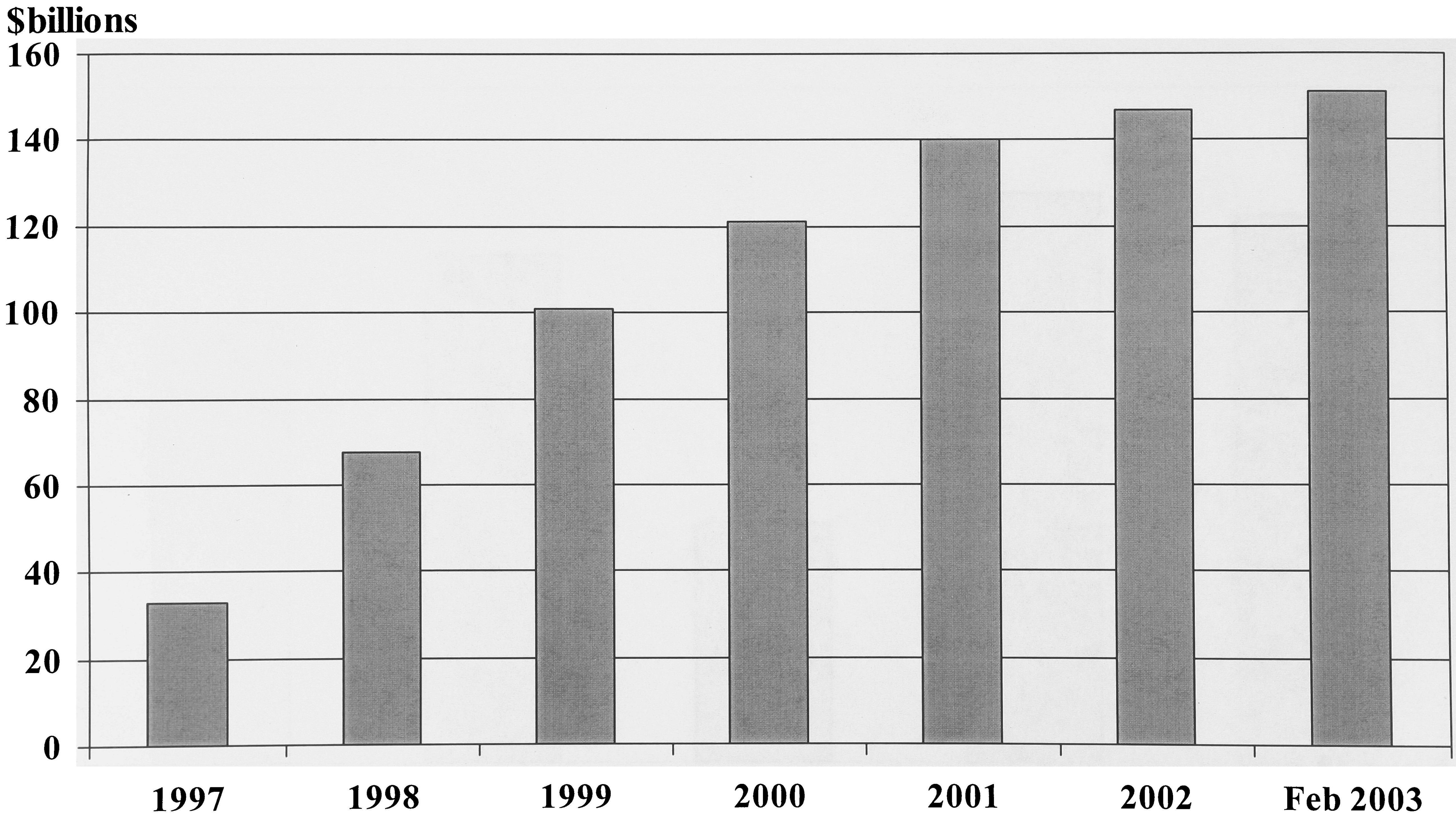
1/ Average daily primary dealer trading volume divided by outstanding amount.


PRIMARY DEALER TIIS POSITIONS AS A PERCENTAGE OF OUTSTANDING TIIS
3-MONTH MOVING AVERAGE
4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
Apr-98
Sep-98
Feb-99
Jul-99
Dec-99
May-00
Oct-00
Mar-01
Aug-01
Jan-02
Jun-02
Nov-02

10-year TIIS Issuance Represents More Than a Quarter of Treasury's Total 10-year Note Issuance

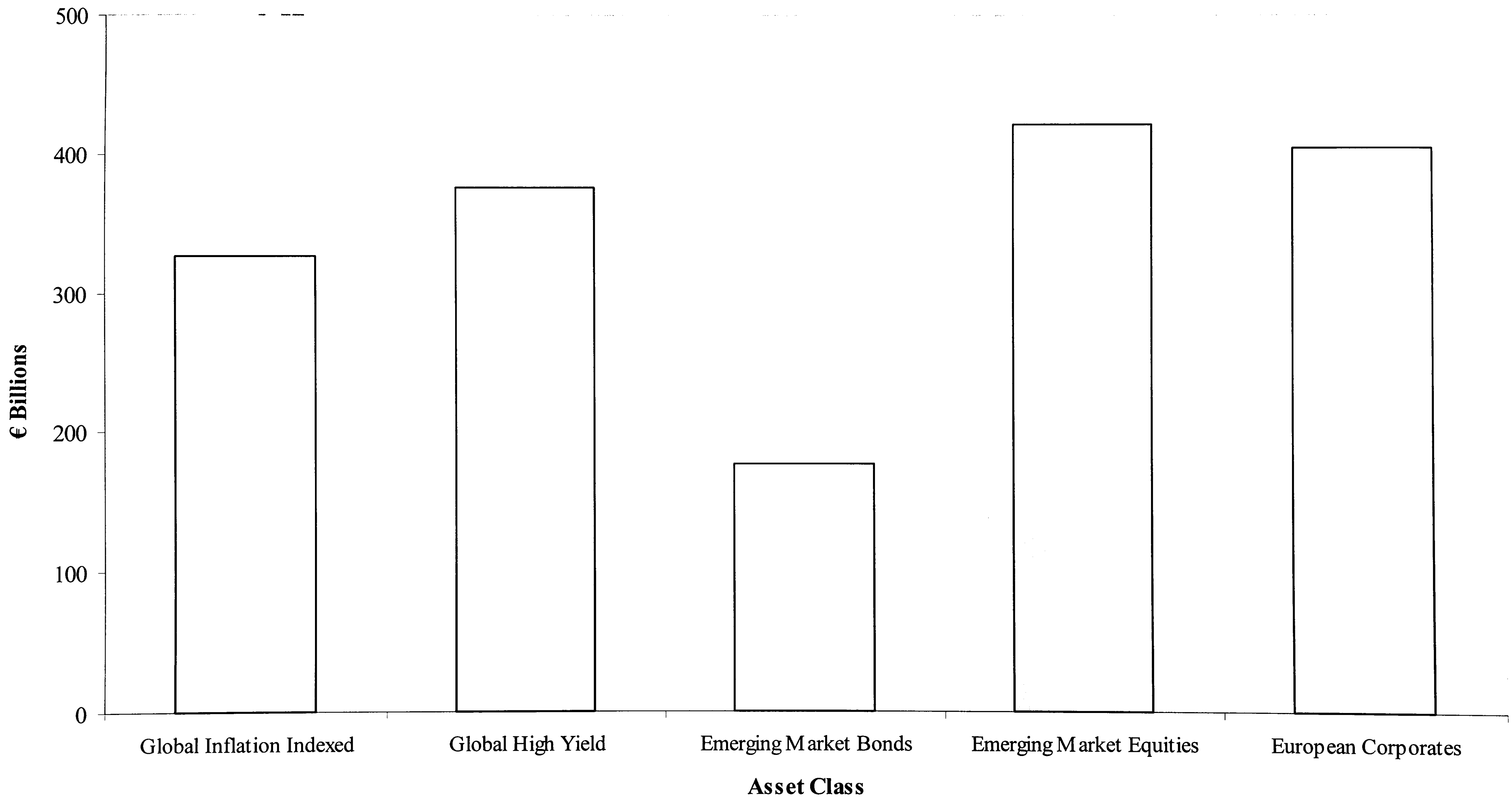


Outstanding Treasury Inflation-Indexed Securities



Source: US Treasury

SIZE OF GLOBAL INFLATION-INDEXED BOND MARKET VS. OTHER ASSET CLASSES

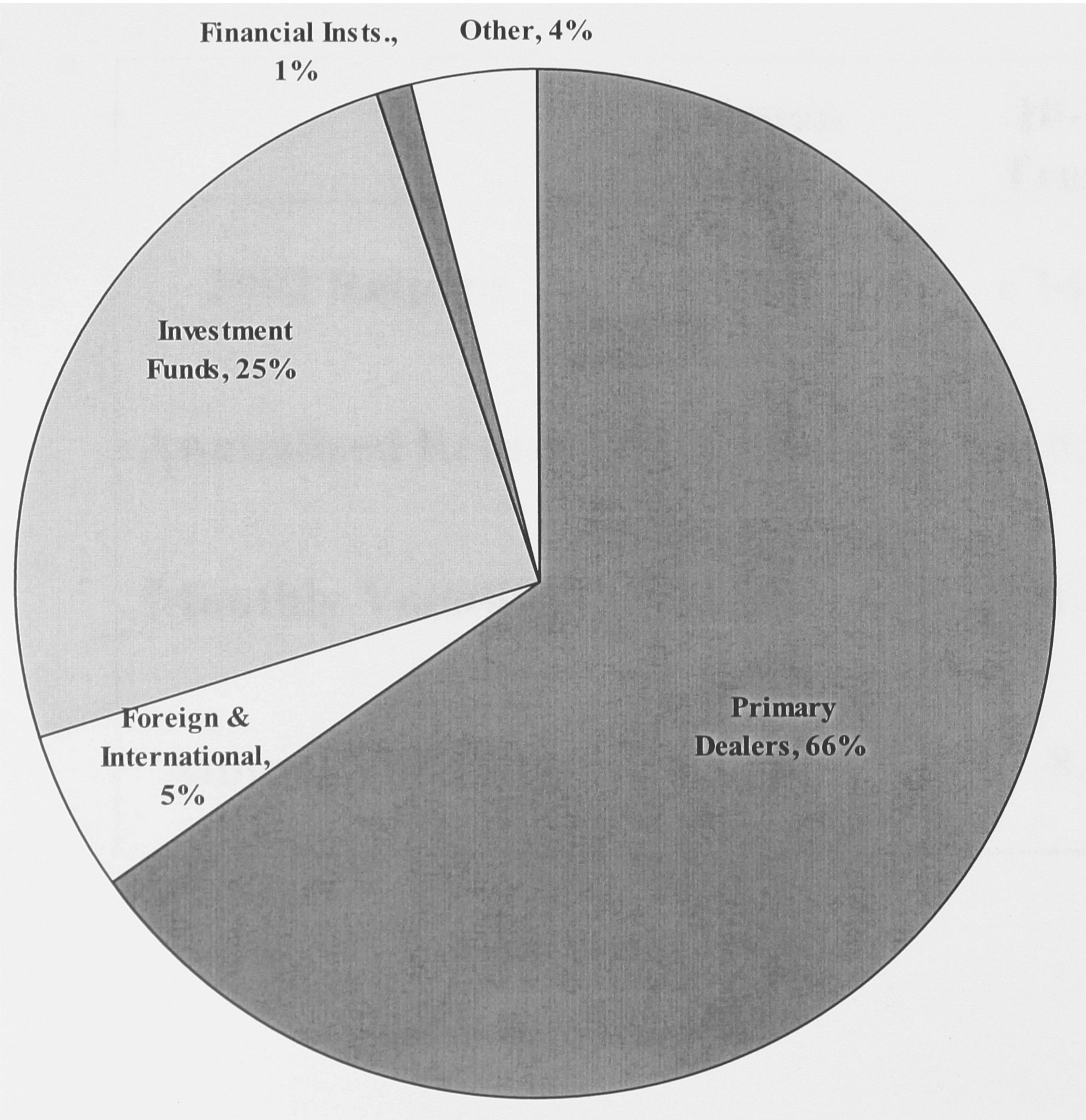


Source: Bridgewater

Distribution of Competitive Auction Awards of 10-Year Treasury Notes

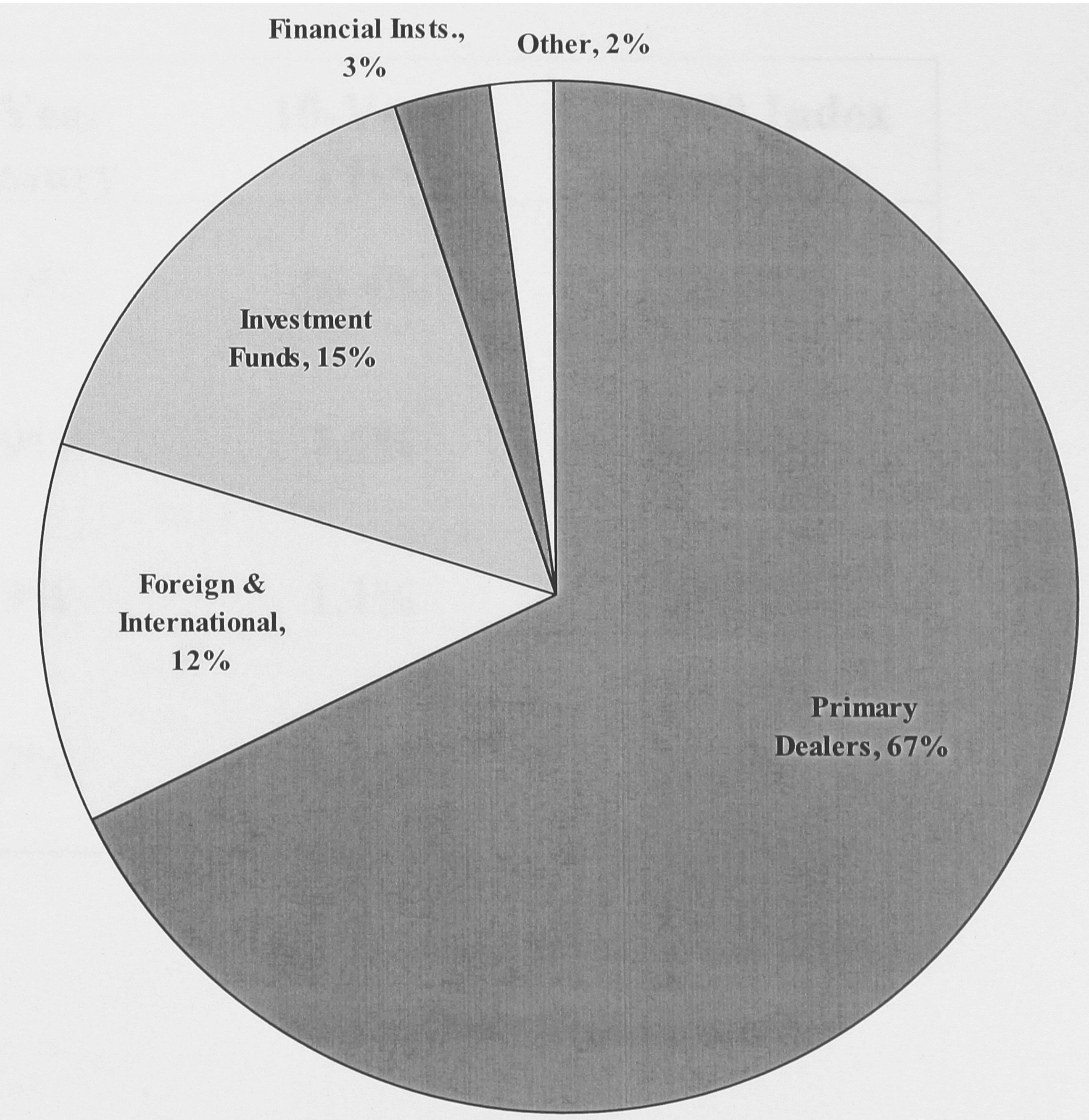
10-Year Inflation-Indexed Notes

July 2002, October 2002 & January 2003



10-Year Fixed-Rate Notes

August 2002, November 2002 & February 2003



Return Profiles

1997 - 2002

	Lehman Index	10-Year Treasury	10-Year TIIS	S&P 500 Index w/dividends
2002 Returns	12.0%	14.9%	16.4%	-22.1%
Annualized Return	8.3%	8.9%	7.5%	3.3%
Monthly Volatility	1.3%	1.9%	1.1%	5.4%
Annual Volatility	5.7%	8.2%	6.1%	22.0%

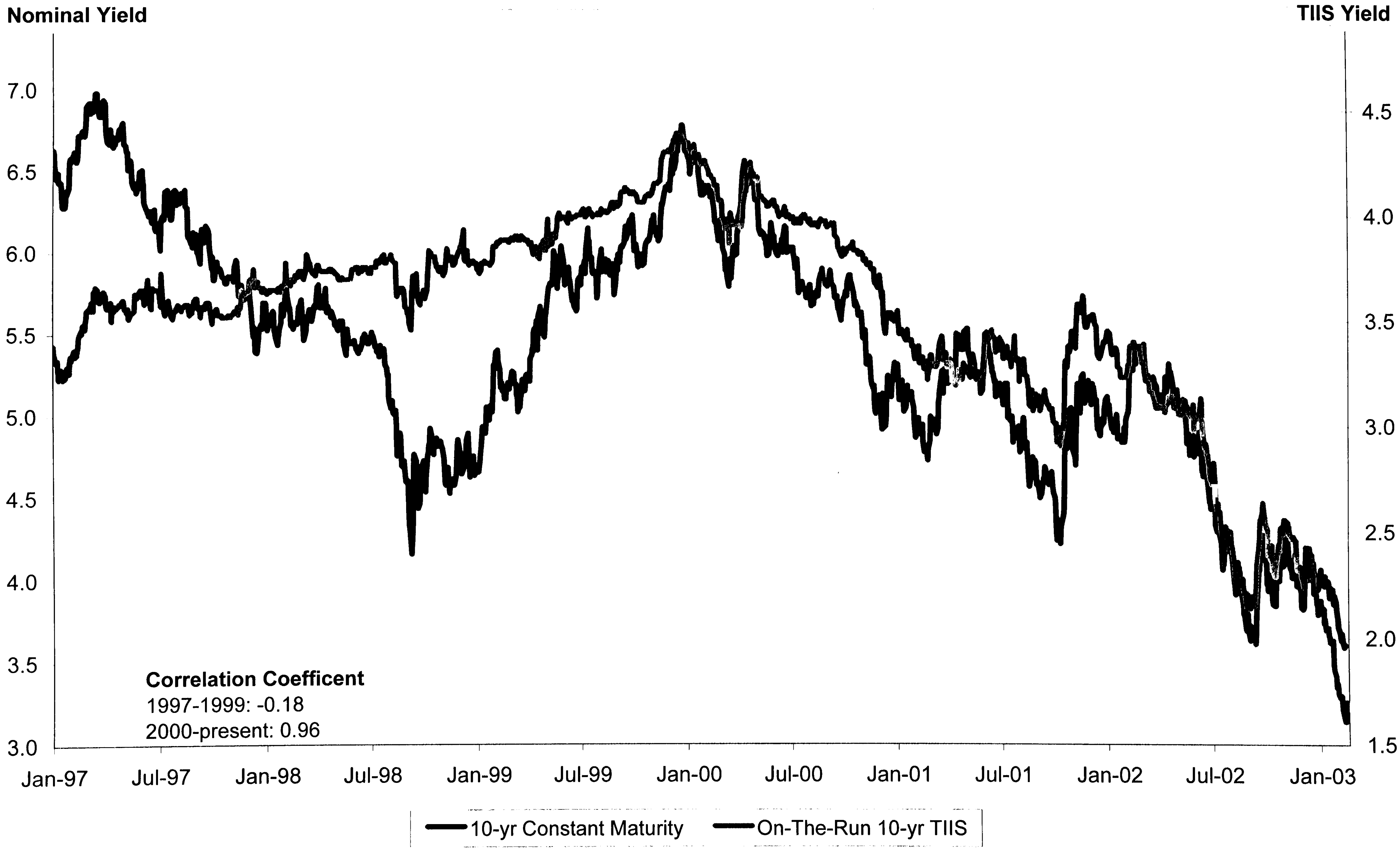
Source: Barclays Capital

I/I BOND CORRELATION TO OTHER ASSETS AND INFLATION

Correlation of TIPS (10 Yr Duration) to

1970 to Present	CPI	Equities S&P 500	Nominal Bonds 10 Yr Duration
1 Month	0.18	0.11	0.57
3 Month	0.27	0.02	0.64
1 Year	0.51	-0.18	0.29
3 Year	0.84	-0.47	-0.33
5 Year	0.91	-0.53	-0.35

10-Year TIIS and Nominal Yields



Summary

- Treasury is committed because TIIS reduce cost
- Closest thing to a risk free asset for long-term investors.
- Highest credit quality
- Improve portfolio diversification
- Better match to inflation than real estate, commodities, or other real assets
- TIIS market is young but growing fast

TIIS Characteristics

- Fixed real coupon, paid semi-annually on inflation adjusted principal
- Deflation-protected principal at maturity
- Principal adjusted for inflation daily, but paid at maturity
- Inflation accretion is referenced to the CPI-U NSA, set with a 3-month lag
- First issue January 1997; 10 issues ranging from 2007 to 2032
- $150 billion market capitalization; total Treasury market capitalization $3.3 trillion
- Three 10-year TIIS auctions this year, increased issuance
- Average daily trading volume over $3 billion

Structure

- Principal value is adjusted for inflation by multiplying the value at issuance by an index ratio which changes daily. Inflation adjustment is paid at maturity.
- Coupon payments are a fixed percentage, determined at auction, of the inflation- adjusted value of the principal on the semiannual interest payment dates.
- The index ratio for a particular valuation date is the index number for that date divided by the index number for the issue date.
- $\text{Index Ratio}_{\text{Date}} = \dfrac{\text{Index number for value date}}{\text{Index number for dated date}}$

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 20, 2003
JS-391

MEDIA ADVISORY
Treasury Official Visits Chicago Tomorrow to Meet with Financial Industry on Cyber Security Issues

A Treasury Department official on Wednesday, May 21, 2003, will be in Chicago to participate in a joint public-private sector symposium for representatives of financial institutions on security issues and protecting the financial industry from cyber attack.

Deputy Assistant Secretary for Critical Infrastructure Protection and Compliance Policy Michael A. Dawson will speak at Protecting the Financial Sector – A Public and Private Partnership, a symposium scheduled from 8:30 am – 12:30 pm on May 21. Mr. Dawson will speak at 9:10 am at the James R. Thompson Center, 100 W. Randolph St., Chicago, IL.

Sponsored by the Federal Deposit Insurance Corporation, the symposium represents an outreach effort by the government's Financial and Banking Information Infrastructure Committee (FBIIC) and the private sector's Financial Services Sector Coordinating Council (FSSCC) to private sector financial firms in the Chicago metropolitan area.

At the Treasury Department, Mr. Dawson heads up the Office of Critical Infrastructure Protection, which was established after September 11, 2001 to strengthen the nation's safeguards against terrorist activities and financial crime. The Office plays a key role in coordinating public and private efforts to protect the critical infrastructure of the financial services industry from attack.

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
May 20, 2003

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 6-DAY BILLS

Term:	6-Day Bill
Issue Date:	May 21, 2003
Maturity Date:	May 27, 2003
CUSIP Number:	912795NA5

High Rate: 1.150% Investment Rate 1/: 1.159% Price: 99.981

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 44.89%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 20,270,000	$ 4,000,025
Noncompetitive	0	0
FIMA (noncompetitive)	0	0
SUBTOTAL	20,270,000	4,000,025
Federal Reserve	0	0
TOTAL	$ 20,270,000	$ 4,000,025

Median rate 1.140%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 1.100%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 20,270,000 / 4,000,025 = 5.07

1/ Equivalent coupon-issue yield.

JS - 392

Bureau of the Public Debt - Office of Financing
Addendum to Press Release dated May 20, 2003

6-day Cash Management Bill
CUSIP: 912795NA5
(amounts in thousands)

Tender Type	Tendered	Accepted
Primary Dealer[1]	18,495,000	3,800,025
Direct Bidder[2]	0	0
Indirect Bidder[3]	1,775,000	200,000
Total Competitive	$ 20,270,000	$ 4,000,025

Notes:
1: Primary dealers as submitters bidding for their own house accounts.
2: Non-Primary dealer submitters bidding for their own house accounts.
3: Customers placing competitive bids through a direct submitter, including foreign and international monetary authorities placing bids through the New York Federal Reserve Bank.

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
May 20, 2003

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	May 22, 2003
Maturity Date:	August 21, 2003
CUSIP Number:	912795NJ6

High Rate: 1.020% Investment Rate 1/: 1.040% Price: 99.742

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 80.13%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 33,935,760	$ 14,458,848
Noncompetitive	1,376,376	1,376,376
FIMA (noncompetitive)	165,000	165,000
SUBTOTAL	35,477,136	16,000,224 2/
Federal Reserve	4,956,146	4,956,146
TOTAL	$ 40,433,282	$ 20,956,370

Median rate 1.010%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 0.990%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 35,477,136 / 16,000,224 = 2.22

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,178,980,000

JS-393

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
May 20, 2003

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	182-Day Bill
Issue Date:	May 22, 2003
Maturity Date:	November 20, 2003
CUSIP Number:	912795NX5

High Rate: 1.020% Investment Rate 1/: 1.043% Price: 99.484

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 34.15%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 34,412,551	$ 14,964,656
Noncompetitive	1,010,654	1,010,654
FIMA (noncompetitive)	25,000	25,000
SUBTOTAL	35,448,205	16,000,310 2/
Federal Reserve	5,929,468	5,929,468
TOTAL	$ 41,377,673	$ 21,929,778

Median rate 1.010%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 1.000%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 35,448,205 / 16,000,310 = 2.22

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $829,330,000

JS-394

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 21, 2003
JS-395

MEDIA ADVISORY:
Treasury and Federal Reserve Board Host Credit Management Panel This Week

Treasury Assistant Secretary for Financial Institutions Wayne A. Abernathy and Federal Reserve Board Governor Edward M. Gramlich on Thursday, May 22, will host a panel discussion on credit management with representatives of financial services organizations and companies. Treasury Deputy Assistant Secretary for Financial Education Judy Chapa will moderate the meeting and discussion.

The meeting will begin at 10:00 a.m. EDT in the Treasury Department's Cash Room, 1500 Pennsylvania Ave., N.W. The opening remarks portion of the meeting will be open to the media.

Participants in the panel discussion will include representatives from National Foundation for Credit Counseling, Association for Financial Counseling and Planning Education, In-Charge Institute, American Bankers Association, America's Community Bankers, Credit Union National Foundation, Fannie Mae Foundation, Freddie Mac, American Express, MasterCard, Visa, Community Financial Services Association of America, Consumer Federation of America, National Council of La Raza, AARP, and College Parents of America.

The room will be available for pre-set at 9:00 a.m. on Thursday. Media without Treasury or White House press credentials planning to attend should contact Frances Anderson at Treasury's Office of Public Affairs at (202) 622-2960 or e-mail frances.anderson@do.treas.gov by 5:00 p.m. on Wednesday with the following information: name, social security number and date of birth. This information may also be faxed to (202) 622-1999.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 20, 2003
JS-396

Strengthening Remittance Channels to the Philippines

The U.S. Treasury Department and the Philippines Ministry of Finance today agreed to work together to improve mechanisms for overseas remittances services to the Philippines. In the presence of Philippine President Gloria Arroyo, U.S. Treasury Under Secretary John Taylor and Philippine Finance Secretary Jose Camacho signed a Memorandum of Intent to work toward that end.

The primary goals of the initiative are to reduce costs through greater competition and increased efficiency, enhance access to remittance services in the formal financial system, and ensure compliance with counter-terrorist financing and anti-money laundering standards.

In welcoming the initiative, Under Secretary Taylor noted that: "Achieving these goals will benefit the Filipino overseas workers, the Philippine economy and the global financial system."

According to government statistics, over seven million overseas Filipino workers sent over US$6 billion in remittances to the Philippines in 2001. Of this, approximately 70% was sent through banks and wire transfer services, with fees reaching as high as 15% of the value of the remittances. Experience has shown that competition and improved technology can enhance access to remittance services via the banking sector and significantly reduce the fees for such services

The Treasury Department in collaboration with the Federal Deposit Insurance Corporation and the Federal Reserve will work with their Philippines counterparts to identify deficiencies in currently available channels to send remittances to the Philippines; jointly understand the role of the private sector in this area; strengthen the critical financial infrastructure that supports remittances and minimize any vulnerabilities that may exist; promote financial literacy among those who do not use traditional banking channels; and ensure proper implementation and full compliance with international anti-money laundering and counter-terrorist financing standards.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 21, 2003
JS-397

Remarks by
Michael A. Dawson
Deputy Assistant Secretary for
Critical Infrastructure Protection and Compliance Policy
To
Protecting the Financial Sector – A Public and Private Partnership
Chicago, Illinois
Protecting Critical Financial Infrastructure

I would like to begin by thanking the Federal Deposit Insurance Corporation for its leadership in helping to organize this event. The turnout has been tremendous. In the weeks leading up to this event, I am told, we had to abandon plans to hold the meeting in a room that would hold a mere 200 people. We had to accommodate more. That is a testament to the fine job that the FDIC has done in putting this event together. Thank you, Chairman Powell, Michael Zamorski, and Karl Krichbaum, for your leadership.

It is also, of course, a testament to all of you in the audience today. All of you took time out of busy schedules to come learn more about what the government and the private sector are doing to protect our critical financial infrastructure. I appreciate your commitment. I know that you have work to do, customers to serve. Our job is to make sure that we share enough information during these sessions to make your investment of time worthwhile. We will do our best.

Needless to say, the strong turnout is no surprise. Chicago's leadership in homeland security is well known. Just last week, Chicago and Seattle showed great leadership by hosting exercises simulating terrorist attacks and testing government and private sector responses to those tasks. I participated in exercises for the Treasury Department in Washington, and was impressed by what I saw Chicago do, learn, and teach other Americans.

I wish to highlight two other examples of Chicago's leadership. The first is the fine work done by Chicago Office of Emergency Management and Communications Executive Director Cortez Trotter. During my last trip to Chicago, I met with Director Trotter. I saw the hard work he and his team are accomplishing at Chicago's emergency coordination center. Recently, Director Trotter established a desk within that center for representatives of Chicago's financial community. That means that during emergencies, Chicago's financial community will be able to share information on a real-time basis with first-responders, government officials, utility officials, and others. This can be crucial to protecting the employees of Chicago's financial institutions, protecting the institutions' customers, and to speeding recovery efforts in the event of a disruption. Thank you, Director Trotter, for your leadership. You have made Chicago's financial infrastructure safer.

I also wish to thank the Options Clearing Corporation for the leadership it has shown. The OCC has been generous with its time and information – not just with me, but with others in the Chicago financial community. Vice Chairman Hender, you and your team have led by example, and done important work to protect your employees and your customers. Ro Kumar has generously committed his time and expertise to the Financial Services Sector Coordinating Council – more about that later. And, lest you need any assurance, you are extremely well-represented in Washington by Susan Milligan. Thank you for your leadership.

I will focus my remarks on some of the principles that guided the Department of the Treasury during and after the attacks of September 11. These principles continue to guide us as we work to prevent future attacks; to minimize vulnerabilities to attacks; and to prepare to recover from attacks, should they occur. I will explain what these principles mean for national-regional cooperation, focusing on our efforts to improve information sharing.

Guiding Principles
Every thing that we do at Treasury to protect the critical financial infrastructure is guided by a few important principles. I will talk about three, although there are others.

First, as the President has said, the highest responsibility of government is the protection of its citizens. We are devoted to protecting the critical financial infrastructure, because it is essential to meeting that responsibility.

For one thing, the most important component of our financial infrastructure is the people who make it work. We must protect the safety of the tellers, loan officers, traders, and technicians that make up our financial infrastructure. Americans trust these employees with their money. Financial services employees, in turn, trust us with their lives. We have a profound obligation to keep these employees safe.

For another thing, Americans depend on the critical financial infrastructure to make the economy work and grow. As Treasury Secretary Snow has said, the financial system is the engine of our free enterprise economy.
We have to protect this engine so that it can continue to support growth in the American economy, so that it can continue to create jobs for American workers.

It is hard to overstate our dependence on the financial infrastructure. We depend on it to receive our paychecks; to withdraw cash from an ATM; to pay for our groceries with cash, check, debit cards, or credit cards; to finance the purchase of a house or a car; to save for our children's education; to plan for a secure retirement.

Americans have confidence in our financial infrastructure. And they should. Our financial infrastructure is the most resilient in the world. Our job is to keep it that way, to ensure the resiliency of the infrastructure in the face of evolving threats.

Second, we are committed to ensuring that our financial institutions continue to function even during – especially during – times of stress. Of course, the physical safety of your employees and customers comes first. But absent a specific and credible threat to physical safety, it is important for financial institutions and markets to continue to operate as close to business-as-usual as possible. There are several important reasons for this. One is that it is precisely during times of stress that Americans need the financial system most. As I mentioned earlier, just last week Chicago participated in an exercise involving a hypothetical biological attack. Think about what the public response to that would be. Think about how much worse it would be if people could not withdraw cash from ATM machines, if hospitals could not pay employees or suppliers. The same is true of our markets. During times of stress, investors need to price the impact of that disruption on assets. The longer they are prevented from pricing the impact, the more anxiety builds and the worse the consequences will be, we believe, when markets eventually re-open.

A third guiding principle is that we want to promote decentralized decision-making and problem-solving, both as we prepare for disruptions and as we weather them. We favor a cooperative, public-private partnership as we work together to protect our financial infrastructure. In the event of a disruption to the payment system, for example, we want the subject matter experts in payments systems to fix it. We don't want them to wait for guidance from Treasury on how to fix it. Just fix it. You are in the best position to determine what steps you should take to protect your employees and your customers. We will help where we can, but we intend to stand out of the way and let the financial institutions and the regulators that are closest to the problems find the solutions.

These principles have important implications for national-regional cooperation.

State and local governments are, of course, right here, right now. Financial institutions are closer to their employees and customers than we are in Washington. We often think of state and local officials as first responders – rescuing and treating victims after an attack. I suggest to you that in many instances, state and local authorities and private financial institutions may be first protectors as well. It may be a local policeman who notices something suspicious about a truck.

It may be state and local police who are the first on the scene to protect a component of our critical infrastructure after we learn of a specific and credible threat against it. It may be – indeed, it almost certainly is – the private financial institution that is in the best position to correct vulnerabilities in its systems before worms, viruses, or bugs infect.

I saw this first hand yesterday. Several weeks ago, a critical financial institution approached Treasury with a simple question. What's the plan? What is the plan for a coordinated federal, state, and local response to protect the critical institution if a specific and credible threat against it were to emerge? I had to confess to this important institution that there was no specific plan for coordinating a federal, state, and local response, despite its importance. As later became clear, many of agencies who would be involved in protecting the institution did, in fact, have a plan for what they would do. But this was not always the case. And those agencies that had a plan had not coordinated that plan with all of the agencies that they needed to.

Treasury made this institution a deal. We agreed to jointly host an all day exercise where we would outline a coordinated plan. We brought everyone together, every agency that would likely have a role in protecting the institution. We had the local police department, the county sheriff, the state police, the governor's office, the state attorney general's office, the Federal Bureau of Investigations, the Bureau of Alcohol, Tobacco and Firearms, the United States Secret Service, the Homeland Security Council, the Homeland Security Department, appropriate financial regulators, representatives from the intelligence community, and many others. We hired a first rate consulting firm to conduct a "war game" – an exercise in which this collection of protectors was presented with a hypothetical specific and credible threat. We reacted to this hypothetical threat and documented our reactions. From this exercise, we will develop a plan and answer the institutions request.

One thing that was clear from the exercise was that the state and local authorities would be the first protectors on the scene. They would be the ones with detailed knowledge about the institution and its environs: where the nearest airports are, not just the big ones, but the smaller regional and municipal airports; where the nearest railroad tracks are; where the water and sewer accesses are; where the central offices are through which the institution's telecommunications lines are routed; where the electrical substations are; and so forth. It was also clear that the institution would have to actively participate in its own protection, working with local authorities to help them identify vulnerabilities and to find ways of carrying on their business despite the increase in physical security.

Given their important role as first protectors, the federal government should work to share timely threat information with state and local law enforcement authorities and, where possible, with the private sector. One of my responsibilities is to help make sure this happens for information relating to the critical financial infrastructure.

There are several ways that we are trying to improve information sharing between the federal government and first protectors – state and local authorities and the private sector.

For example, the President established the Financial and Banking Information Infrastructure Committee, the FBIIC. This Committee is now sponsored by the President's Working Group on Financial Markets – an interagency task force lead by Secretary Snow, Chairman Greenspan, Chairman Donaldson, and Chairman Newsome –Treasury chairs the FBIIC. Its members include the Federal Reserve Board, the Securities and Exchange Commission, the Commodity Futures Trading

Commission, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the National Credit Union Administration, and the Office of Federal Housing Enterprise Oversight. It includes state authorities as well – the Conference of State Banking Supervisors, and the National Association of Insurance Commissioners.

One of the things that we use the FBIIC for is as a mechanism to evaluate and share available threat information. For example, Treasury has installed secure telecommunications equipment and arranged for appropriate security clearances for personnel in the members of FBIIC, so that we can effectively share sensitive and even classified information. Where appropriate, we can share information with an individual institution, in the case of a specific and credible threat against a specific institution, or with the financial sector more generally.

Another important mechanism for sharing information is the Financial Services Sector Coordinating Council. The Council is led by Rhonda MacLean, a senior executive with Bank of America. Treasury appointed Ms. MacLean last June. She has done an outstanding job. Over two dozen financial services trade associations have joined the council. Among many other things, the Council has worked to collect and disseminate considerations for private institutions to bear in mind in the event that the threat advisory level is at some point in the future raised to red. The Council is also working to construct a repository of table-top exercises, war-games, and tests. This repository will provide a central source for the industry to learn what is happening in the critical financial protection area. In the future, the repository will be a useful tool as we move to more coordinated, inter-institutional testing and planning. Our hope is that we can improve from the situation we have today, in which many well-intentioned exercises are taking place, but without much coordination between exercises. We need to improve coordination so that the exercises build on each other and, over time, systematically improve the resiliency of the industry as a whole. The government and the private sector did a good job of coordinating the planning, preparation, and testing for Y2K. We hope we can replicate that experience in this context.

A third mechanism for sharing information is the Financial Services Information Sharing and Analysis Center, the FS/ISAC. Under the leadership of Suzanne Gorman, a senior executive at the Securities Industry Automation Corporation, the FS/ISAC has emerged as a leader in information sharing. For example, many of you will remember that in January of this year a worm called Slammer rocketed around the internet.
The FS/ISAC was instrumental in alerting the financial services sector to this threat. We believe that the FS/ISAC was largely responsible for the fact that the financial sector experienced relatively low disruption from the worm.

Each sector has an ISAC, and I am proud of the fact that the Financial Services ISAC was both the first and the best. I am even more proud of the vision that Ms. Gorman has shown to enhance the value proposition of the FS/ISAC by expanding its membership base; improving cross-sectoral information sharing; and working to encourage members to contribute more information, not just receive it. Treasury was pleased to devote resource to the FS/ISAC as it planned these improvements. We look forward to supporting the FS/ISAC as it implements its next phase. Already, I am told by Homeland Security officials that they regard the FS/ISAC's vision as a model that other ISACs can look to and learn from.

These are some of the ways that we work to share information among the federal government, state and local government, and the private sector. It is our biggest challenge. Without effective information sharing, state and local authorities can be only first responders – arriving on the scene after attacks. We cannot afford that. We must ensure that state and local authorities and the private sector have the opportunity to serve as first protectors, disrupting and preventing attacks before they occur.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
JS-398

Treasury to Delay Announcement of Weekly Bills

The Treasury Department is postponing announcement of its weekly 13-week and 26-week bill auctions and its monthly 2-year note auction, scheduled to be announced May 22, 2003, until further notice. This postponement is due to the statutory debt limit.

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
May 21, 2003

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 4-WEEK BILLS

Term:	28-Day Bill
Issue Date:	May 22, 2003
Maturity Date:	June 19, 2003
CUSIP Number:	912795MS7

High Rate: 1.090% Investment Rate 1/: 1.112% Price: 99.915

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 42.42%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 35,018,400	$ 21,950,150
Noncompetitive	50,439	50,439
FIMA (noncompetitive)	0	0
SUBTOTAL	35,068,839	22,000,589
Federal Reserve	4,397,327	4,397,327
TOTAL	$ 39,466,166	$ 26,397,916

Median rate 1.070%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 1.050%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 35,068,839 / 22,000,589 = 1.59

1/ Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

JS-399

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
JS-400

Treasury Department Announces Marin's Plan to Leave Treasury

The Treasury Department today announced that United States Treasurer Rosario Marin will resign effective June 30, 2003.

"Rosario Marin has been an outstanding United States Treasurer. We will miss her leadership, commitment, energy and dedication," said Treasury Secretary John Snow.

Marin played an essential role at the Treasury Department over the last two years and has been at the forefront of several key policy debates ranging from financial literacy to the Partnership for Prosperity, and from reducing counterfeiting of our currency to issuing the Patriot Savings Bond. Marin also served on the President's Commission on Excellence in Education for Hispanic Americans.

Among other duties, Marin has been one of the Administration's top officials tasked with communicating President Bush's efforts to keep America's economy strong and to spread prosperity around the world.

"Marin brought invaluable experience to her position and with that background and perspective, she played an important role in shaping many of the public policy debates within the Administration and on Capitol Hill," Snow concluded.
(Attachment: Marin Letter)

May 22, 2003

The Honorable John W. Snow
Secretary
Department of the Treasury
1500 Pennsylvania Ave
Washington, DC. 20220

Dear Mr. Secretary Snow:

It has been my distinct privilege and great honor to serve our nation as a member of President George W. Bush administration. Words could not begin to describe my profound gratitude for the opportunity to serve along with the best and the brightest in the federal government during these historic times in our nation.

During my tenure, I was fortunate to have been part of Treasury's efforts on issues that are very dear to me: from financial literacy to Partnership for Prosperity, from reducing counterfeiting of our currency to issuing the Patriot Savings Bond, while also serving on the President's Commission on Excellence in Education for Hispanic Americans. I have been so lucky!

After a long and thoughtful consideration, my family and I have decided to go back home to California, thus I submit my resignation effective June 30, 2003.

Mr. Secretary, America indeed is the greatest country in the world and the land of opportunity; where for the first time in its history, an immigrant became its 41st Treasurer. I will always treasure the honor and will be indebted to our President for such distinction. May God Bless you and all my colleagues as you continue to set policies that will guide our nation's economic prosperity.

Sincerely,

Rosario Marin

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
JS-401

Remarks of
Wayne A. Abernathy
Assistant Secretary of the Treasury for Financial Institutions
To the Treasury-Federal Reserve Discussion Panel on Credit Management
Washington, D.C.

In the last several years, due to technology, a favorable legal structure under the Fair Credit Reporting Act, and innovation in the financial services industry, America has offered a wider variety of credit products, to more people, at lower costs than ever before in our history, and we do it better than anywhere else in the world. Millions of Americans derive great benefits from that, to build a home, start a business, finance an education, buy a car, and meet the every day needs of every day life.

They derive these benefits, that is, if they handle their credit wisely. When they do not, this great blessing of available credit can become a nagging curse that can break up a home, bankrupt a business, destroy the dream of an education, lead to repossession of the car, and make it a struggle to meet the everyday needs of everyday life.

Financial distress is no more in the interests of America's financial institutions than it is in the interests of her people. Fortunately, there are prudent rules or principles that if followed can help keep the wolves of financial distress away from the door.

Today we have invited people from many walks of life to meet together here to discuss what those basic principles of credit management are and how we can help spread the word. We hope to see these principles applied more widely so that the benefits of ready credit can be enjoyed more widely. Many have been engaged in this effort, at many levels, and from many venues. There is a lot of wisdom gathered here today, and we propose to make good use of it.

We are especially grateful for the leadership role taken by the Federal Reserve in promoting wise credit management, along with other vitally important elements of financial education. And we are particularly grateful for the presence of Governor Gramlich this morning, who knows as much about educating people in the wise ways of basic, sound economics as anyone I know.

We thank each of you for your participation, for what you have done to help educate people about wise credit management, and for what we can all do together to extend this effort even more.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
JS-402

Testimony of Peter R. Fisher
Under Secretary of Treasury for Domestic Finance
Senate Committee on Banking, Housing, and Urban Affairs
Subcommittee on Economic Policy

Chairman Bunning, Ranking Member Schumer, and other members of this subcommittee, I am pleased that you have chosen to hold this hearing on a top economic priority for our nation, both now and for decades to come: increasing investment.

For the immediate future, our challenge is to rebuild business appetite for taking risks on the future and thus for creating jobs. Looking farther into the 21st century, a major challenge for our society is to pay for the collective retirements of my generation and those that follow, while keeping commitments to current retirees and those near retirement. Over both horizons, the central task for government and for the private sector is boosting savings and investment. First, government must examine and remove legal and regulatory obstructions to savings and investment. The President has focused our attention on the need to reduce the biases against equity investment. Second, to bolster investor confidence, shareholders should demand and firms should do a better job of disclosing their key indicators of business and financial performance and prospects – the ones they actually use in managing their businesses.

Our key macroeconomic challenge today is to face the aftermath of the extraordinary events of the 1990s. Federal Reserve monetary policy, global economic integration, and telecommunications advances combined to fuel real prosperity and higher productivity, but investors' overestimation of their impact contributed to a stock market bubble. We continue to live with the consequences of these events and the destruction of trillions in household wealth as the bubble burst.

Business investment began slowing in 2000, causing demand for labor to soften. Let's be clear where jobs come from. New jobs come from investment -- the willingness of investors and entrepreneurs to put capital at risk in a business venture. The President has focused us precisely on that point: sharpening the incentives for investors and entrepreneurs to invest in the most productive ventures. And higher productivity means higher wages and a stronger economy for everyone.

The task before us is much the same throughout this new century: to enhance incentives for private sector savings and investment. We are going to pay for the retirement and health care of the baby boom generation one way or another. We can increase private savings and investment, or we will reach lower standards of living in the future than we would otherwise.

How can government and business achieve these goals now and in the future?

The President has clarified the main task for us in government: to remove the legal, tax, and regulatory distortions that discourage savings and investment.

There is no better example than the current double taxation of corporate dividends.

No one defends this bias from first principles; and no other major industrial nation taxes profits at such a punitive effective rate. By taxing dividends twice, our tax code encourages companies to retain earnings instead of paying them to shareholders; to raise excessive levels of debt; and to dedicate some of America's leading minds to tax minimization instead of job creation. And by imposing a high marginal rate on profit, our tax code thins the vital blood of economic growth: risk capital.

We are encouraged by the good progress being made on the President's Jobs and Growth proposal, including progress toward lowering tax barriers to savings and investment. We are working with Congress to obtain the best package possible, as quickly as possible. The President has made clear that the sooner we get this done, the sooner we can create jobs and put people back to work.

Boosting savings and investment in America will also require restoring investor confidence. Congress passed Sarbanes-Oxley, and the SEC and Justice Department are successfully implementing its provisions to improve corporate governance. But companies too have responsibilities to lead – to provide investors with meaningful, high quality information. This is not principally a task for the government to achieve.

Our securities markets are extremely efficient at pricing and allocating capital on the basis of all available information. Unfortunately, important information is too often not available to shareholders. We will not restore our investor confidence until shareholders truly can see the companies in which they invest through the eyes of their agents in management, until they can see the real, economic leverage and the key indicators of business value that insiders can.

When investors have a picture of the real, economic leverage employed, regardless of the distractions of off- vs. on-balance sheet distinctions, attention will naturally turn to cash flow: to how management expects to pay down the leverage and still have some income left over for the shareholders. Exposing true leverage – contractually obligated net present value – is the only way that shareholders and creditors can judge true performance and can distinguish profit from business operations and from financial engineering.

Private sector leaders must transform the practice of corporate disclosure, to set a new class of best practices that will genuinely inform investors about the risk/reward prospects of the firms in which they invest.

I wish that government could set best practices by fiat; I don't think it can. Only the private sector – corporate executives, lawyers, accountants, bankers, analysts, and money managers – can make it happen.

The President has urged us to focus on this top national economic priority: encouraging investment. Sharpening the tax incentives and improving corporate disclosure are crucial steps toward that goal – both to create jobs now and to generate the wealth later to pay for our collective retirement.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
JS-403

Treasury and Federal Reserve Host Meeting to Discuss Credit Management

Treasury Assistant Secretary for Financial Institutions Wayne A. Abernathy and Federal Reserve Board Governor Edward M. Gramlich today hosted a panel discussion on credit management with representatives of financial services organizations and companies. Treasury Deputy Assistant Secretary for Financial Education Judy Chapa moderated the meeting and discussion.

"We must take steps to educate all Americans about the importance of responsible credit management," said Assistant Secretary Abernathy. "A good credit rating is critical to the American family – opening the door to homeownership, entrepreneurial business loans, assistance with higher education costs and many other goals. We welcome this exchange of ideas on how to best focus our efforts."

"Credit must be managed wisely," said Governor Gramlich. "People who understand the fundamentals of money management are more likely to make decisions that promote their own well-being and, on a broader scale, foster a more efficient economy. I am hopeful that today's initiative will inspire additional research into the most effective credit management techniques and educational tools."

During the meeting, the participants plan to gain consensus on core principles that they would like to focus on as they work to strengthen American's understanding of credit management.

Participants in the panel discussion included representatives from National Foundation for Credit Counseling, Association for Financial Counseling and Planning Education, In-Charge Institute, American Bankers Association, America's Community Bankers, Credit Union National Foundation, Fannie Mae Foundation, Freddie Mac, American Express, MasterCard, Visa, Community Financial Services Association of America, Consumer Federation of America, National Council of La Raza, AARP, and College Parents of America.

The issue of credit management is one of four areas of focus by the Treasury Department's Office of Financial Education (OFE), established in 2002 and headed up by Deputy Assistant Secretary Chapa. The OFE works to ensure that Americans have access to financial education programs and that they obtain the practical knowledge and skill sets that will enable them to make informed financial choices throughout various life stages. The OFE chairs the Federal Government Financial Education Coordinating Group.

As the agency with responsibility for the Truth in Lending Act regulations, the Federal Reserve has worked to promote access to credit and fair lending for under-served consumers and communities. In 2000, the Federal Reserve hosted a discussion on best practices in consumer credit education; and through its web site and consumer education materials is working to make sure consumers know their rights and responsibilities in credit transactions.

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
js-404

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $82,182 million as of the end of that week, compared to $81,827 million as of the end of the prior week.

I. Official U.S. Reserve Assets *(in US millions)*

	May 9, 2003			May 16, 2003		
TOTAL		81,827			81,182	
1. Foreign Currency Reserves [1]	**Euro**	**Yen**	**TOTAL**	**Euro**	**Yen**	**TOTAL**
a. Securities	7,550	13,421	20,971	7,638	13,559	21,197
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	12,372	2,695	15,067	12,448	2,722	15,170
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]			23,109			23,126
3. Special Drawing Rights (SDRs) [2]			11,637			11,646
4. Gold Stock [3]			11,043			11,043
5. Other Reserve Assets			0			0

II. Predetermined Short-Term Drains on Foreign Currency Assets

	May 9, 2003			May 16, 2003		
	Euro	**Yen**	**TOTAL**	**Euro**	**Yen**	**TOTAL**
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 9, 2003			May 16, 2003		
	Euro	**Yen**	**TOTAL**	**Euro**	**Yen**	**TOTAL**
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						

Notes:

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. Foreign Currency Reserves for the latest week may be subject to revision. Foreign Currency

Reserves for the prior week are final.

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 entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data. IMF data for the latest week may be subject to revision. IMF data for the prior week are final.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
JS-405

Treasury Secretary Snow Statement on the New IRS Management Team

On behalf of the hardworking taxpayer, I'm asking the IRS to improve service, respect taxpayer rights, and ensure that everyone pays their fair share. The changes announced today by Commissioner Everson are designed to support these important goals.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 17, 2003
JS-406

United States Treasury Secretary John Snow
Post G-8 Statement
Deauville, France
Saturday, May 17, 2003

I enjoyed the opportunity to meet - for the third time since being sworn in as U.S. Treasury Secretary - with my fellow finance ministers in Deauville this weekend to help prepare for our Leaders' meeting in Evian.

Strengthening global growth must be the top priority for the G-8. I delivered that strong message today. Growth in the major economies is simply not what it could be. We need to do more to ensure a robust recovery. I provided an update on the actions taken by the United States. The President's Jobs and Growth plan will accelerate the U.S. recovery. I made clear that the United States expects others to take bold actions themselves – including fundamental structural reforms where necessary – to spur growth, create jobs and contribute to global prosperity.

My colleagues and I commend the World Bank and the IMF for agreeing to expedite their needs assessment activity in Iraq. We discussed the need to obtain the full participation of the international financial institutions to help Iraq to rebuild and to rejoin the international economy. We stressed the importance of beginning a process for countries to donate funds for reconstruction in Iraq. We discussed the problem of Iraq's large debt. We formally asked the IMF to assess the debt situation for countries outside the Paris Club. There was recognition that we cannot expect Iraq to make any service payments on that debt at least through the end of 2004.

I urged my fellow ministers to make seized assets available to the Iraqi people and to aggressively continue the search for the illegal assets of the corrupt regime of Saddam Hussein. Our task is clear – identify and repatriate all assets for the betterment of the Iraqi people. More generally, I also spoke about terrorism financing, reminding my colleagues that we need to maintain focus and momentum in this ongoing fight.

Turning to corporate governance, we all voiced our support for steps to help ensure accountability and promote transparency. I assured my colleagues that the United States would continue to take actions necessary to implement the provisions of Sarbanes-Oxley. We remain committed to seeing these reforms fully implemented in order to bolster investor confidence. I was also pleased to see that the issue of the high costs of litigation was reviewed as a burden on economic growth.

On crisis prevention and resolution, we reflected on the extremely positive recent developments on collective action clauses. I believe that the actions taken, most recently by South Africa, represent a very significant and concrete step toward improved performance and increased capital flow to emerging markets. We all encourage other countries to follow this lead, so that collective action clauses become routine. Of note, we welcome the successful outcomes in Uruguay. We support Uruguay's co-operative approach with creditors and their responsible efforts to achieve debt sustainability and implement essential economic reforms.

Raising economic growth in our own economies is the most important thing we can do to improve the prospects for developing economies at this time. Higher growth in the G-8 leads directly to better economic results for the developing economies particularly as it creates the opportunity for more trade with rising exports from the developing countries. The G-8 needs to be more focused on measurable results and rewarding countries that deliver on economic reform. The President's Millennium Challenge Account initiative is designed to provide incentives, offering substantial additional assistance to reward strong policies. And I discussed with my colleagues the remarkable increase in development assistance proposed by President Bush, including the MCA, new money to combat HIV/AIDs and new money to address famine and food security worldwide.

Finance Ministers Statement

For Immediate Release **Contact: Tony Fratto**
Saturday, May 17, 2003 **(202) 622-2960**

Finance Ministers' Statement
Deauville, May 17th, 2003

We met today ahead of the Evian Summit. While major downside risks have receded, our economies continue to face many challenges. We are nonetheless confident in the potential for stronger growth. Our task is to realise this potential. We will therefore continue to cooperate to achieve higher growth in all of our economies, while ensuring domestic and external sustainability, and thereby to contribute to global economic growth. We are strengthening our commitments to structural reforms and sound macroeconomic policies.

As we face a common challenge of ageing, our contribution to higher worldwide growth should rely more strongly on a good system of education and life-long learning, research and development, innovation and entrepreneurship, on the foundation of a sustainable fiscal and monetary framework. Europe will continue to foster innovation and to accelerate labour, product and capital market reforms so as to achieve a more flexible economy. The US will act to create jobs and to encourage savings and investment by the private sector. Japan will continue its structural reforms, including in its financial and corporate sectors, and intensify its efforts to combat deflation. Canada will maintain monetary prudence and fiscal balance, while investing in productivity. Russia, which has greatly improved its performance, will pursue structural reforms, in particular in the financial sector.

To bolster investor confidence, we will continue to reinforce corporate governance practices, market discipline, transparency and regulation in line with the principles agreed in February. We welcome the work program agreed by the Financial Stability Forum in Berlin on potential financial vulnerabilities and corporate governance and related matters, including rating agencies and financial analysts, and will review the results of this work in September. We have agreed to appoint Roger Ferguson as FSF Chair. We favour the emergence, through open and public processes involving the private sector, of high-quality internationally recognized accounting standards that are applied, interpreted and enforced, with due regard to financial stability concerns. We will closely monitor the on-going work on Basel II and will review the issue at our next meeting in September. We also encourage voluntary private sector initiatives that foster and complement such international efforts to promote corporate social and environmental responsibility as the OECD guidelines for Multinational Enterprises and the UN Global Compact principles.

We reaffirm our strong commitment to combat terrorist financing. We call on the Financial Action Task Force to deepen its engagement with the UN and the International Financial Institutions, to foster worldwide compliance with international standards against terrorist financing and delivery of related technical assistance. We look forward to further work on the misuse of alternative remittance systems and non-profit organisations and to developing more effective freezing regimes. We welcome the progress achieved by the IMF, the World Bank and the FATF on the pilot program of assessments and look forward to its evaluation. We look forward to revised FATF recommendations by June, establishing an enhanced standard in the fight against money laundering and financial crime.

JS-419

We urge all OECD countries to implement the standards set out in the OECD's 2000 report on access to bank information and to ensure effective exchange of information for tax purposes.

We reaffirm our commitment to strengthen our crisis prevention and resolution measures through improved IMF surveillance, greater transparency and more orderly, timely and predictable workouts of unsustainable debt. We welcome Brazil, South Africa and Uruguay's decisions to adopt collective action clauses following on Mexico's lead, and we encourage countries to adopt CACs with terms that facilitate debt restructuring. While keeping debt restructuring a last resort, we have agreed on a new Paris Club approach, as set out in the annex, for non-HIPC low- and middle-income countries ready to follow an exit strategy and to seek comparable treatment. We welcome initiatives being taken, including issuers, private sector and ourselves, on the development of a code of conduct. We look forward to reviewing progress in September.

We are at a turning point on development as on trade issues. We owe it to developing countries to take up our responsibilities. First, we need to raise economic growth in our own economies. Second, within a predictable medium-term framework, we need to provide the developing countries the resources necessary to support their commitment to implement structural and governance reforms, so as to accelerate their growth and social progress. Third, we are determined to achieve the objectives and overall timetable set out in the Doha Development Agenda and to ensure that the Cancun ministerial takes the decisions necessary to reach these goals. Commitments taken must be fulfilled. It is our duty as much as it is to the benefit of all. We ask Francis Mer to report to the Heads of States and Government in advance of the Evian summit on these issues, with a view to delivering on these commitments in order to meet the Millenium Development Goals.

We reaffirm our commitment to achieve these Goals, including health, education and water, to support the Global Health Fund and to complete the Heavily-Indebted Poor Countries initiative. The fight against global poverty calls for increased resources. Building on our recent announcements of increased resources and on our discussions to date on financing instruments, including facilities, we call for a report by September. Equally, as set out in the document made public today, we stress the importance of improving the effectiveness of our bilateral and multilateral aid, including by focusing on poor countries committed to reforms, setting and achieving measurable objectives, adopting growth-oriented policies and reducing transaction costs of assistance. We are also committed to promoting good governance, improved transparency and public financial management and the fight against corruption. We will review progress next year. We recognize the importance of rules-based trade in driving economic growth and poverty reduction. Building on Nepad, we agree that Africa must become more integrated into the global economy and we will leverage the benefits for Africa of our trade commitments. We look forward to the results of IFIs' study of market-based mechanisms to reduce the impact of short-term commodity price volatility.

Annex to the Deauville communiqué

A new Paris Club approach to debt restructuring

The Paris Club of official creditors is a central element of the existing framework for crisis resolution. In the context of the current efforts to make the resolution of crises more orderly, timely and predictable, the Paris Club can make a contribution.

The debt of heavily indebted poor countries is already addressed under an existing international initiative. For other countries experiencing serious debt problems, Finance Ministers encourage the Paris Club to improve its methods. They endorse appropriate action to achieve lasting debt sustainability, while ensuring that debt restructuring remains the last resort. Given the need to preserve access to private capital, the Paris Club should tailor its response to the specific financial situation of each country rather than defining standard terms under this new approach.

When a country approaches the Paris Club, the sustainability of its debt would be reviewed and analysed in coordination with the IMF. For a country, which has unsustainable debt and is committed to policies that will avoid a return to the Paris Club, as well as to seeking comparable treatment from its other external creditors, including the private sector, the Paris Club would define a process to provide debt relief in stages. These stages would be designed to have a strong link with economic performance and public debt management. A satisfactory track record in implementing an IMF program and in paying Paris Club creditors would be needed, after which the debt restructuring would be carried out in several steps linked to IMF conditionality.

Under this approach, the Paris Club could draw on a wide range of options to facilitate the return to debt sustainability, including:

- debt reduction in exceptional cases when its need is clearly demonstrated,
- an active policy of adjusting the "cut-off date" (claims contracted after that date are not eligible for restructuring in the Paris Club),
- over time, use of flexible instruments such as debt buybacks and swaps.

In this context, coordination between official and other creditors, notably private creditors, is particularly important. The Paris Club has taken a number of steps to increase transparency of its procedures over the past years notably through meetings with private sector representatives and the information provided on its web site. This dialogue should continue and could take the form of early discussions with the private sector on the issue of the comparability of treatment of their respective claims.

Finance Ministers urge the Paris Club to adopt such an approach in future restructuring cases and will review its implementation in Spring 2004.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
JS-407

Treasury Secretary John Snow Statement on the House-Senate Conference agreement on the Jobs & Growth Package

The historic agreement between the House and the Senate on the President's Jobs and Growth Plan is a great victory for hardworking Americans. The Agreement will give the economy the boost it needs to grow and create jobs so that millions of Americans can be more secure and confident, both now and in the future.

It contains all the elements of the President's plan. American families will benefit from speeding up the income tax rate reductions, increasing the child credit, and providing marriage penalty relief. Small businesses will get help by reducing tax rates on owners and entrepreneurs, and by dramatically increasing the amount they can deduct when buying new equipment. This will create and secure jobs.

It dramatically reduces the tax on dividends and investment. This will have a profoundly positive effect on job creation, corporate accountability, and the well being of all Americans. It removes barriers to higher economic growth, and represents an investment in the American people and their prosperity.

This bill is good for American workers, it is good for American families, it is good for American investors and it is good for American entrepreneurs and small business owners.

With agreement on President Bush's Jobs and Growth plan, the elements are there for the economy to continue its recovery in the second half of the year.

I urge Congress to send this bill to the President's desk as quickly as possible. The economy can't wait another day to get the boost it needs.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
JS-408

Tax Provisions of the Jobs and Growth Tax Relief Reconciliation Act of 2003

Accelerated 10-Percent Bracket Expansion: The expansion of the 10-percent bracket scheduled for 2008 is accelerated to apply in 2003 and 2004. The endpoint of the 10-percent tax bracket increases from $12,000 of taxable income to $14,000 for married couples (and from $6,000 to $7,000 for single taxpayers). This expansion benefits married taxpayers with taxable income over $12,000 and single taxpayers with taxable income over $6,000. Tax Relief: CY 2003: $5 billion.

Accelerated Reduction in Income Tax Rates: The reductions in income tax rates in excess of 15-percent scheduled for 2004 and 2006 are accelerated to 2003, resulting in new rates of 25%, 28%, 33% and 35% (from 27%, 30%, 35% and 38.6%). These reductions benefit married couples with taxable income greater than $47,450 and single taxpayers with taxable income greater than $28,400. Tax Relief: CY 2003: $29 billion.

Accelerated Reduction of Marriage Penalty: The standard deduction for married couples is increased to double the amount of the standard deduction for single taxpayers in 2003 and 2004. The width of the 15-percent tax bracket for married couples is increased to twice the width for single taxpayers in 2003 and 2004. These provisions were scheduled to phase-in over the period between 2005 and 2009. These reductions benefit married couples who claim the standard deduction or who have taxable income greater than $47,450. Tax Relief: CY 2003: $19 billion.

Accelerated Increase in Child Tax Credit: The amount of the child tax credit is increased to $1,000 in 2003 and 2004 (from $600), accelerating a scheduled phase-in over the period between 2005 and 2010. In 2003, the increased amount of the child tax credit will be paid in advance beginning in July 2003 on the basis of information on the taxpayer's 2002 tax return filed in 2003. Advanced payments will be made in a manner similar to the advance payment checks that were issued in 2001 to reflect the new 10-percent tax bracket. Tax Relief: CY 2003: $16 billion.

Reduction in Tax Rates on Dividends and Capital Gains: The maximum tax rate on dividends paid by corporations to individuals and on individuals' capital gains is reduced to 15% in 2003 through 2008. For taxpayers in the 10% and 15% ordinary income tax rate brackets, the rate on dividends and capital gains is reduced to 5% in 2003 through 2007, and to zero in 2008.

The new rates apply to capital gains realized on or after May 6, 2003, and to dividends received in 2003 and after. This provision reduces the double taxation of corporate earnings. Tax Relief: CY 2003: $8 billion.

Increase in Small Business Expensing for New Investment: The amount of investment that may be immediately deducted by small businesses is increased from $25,000 to $100,000 beginning in 2003. The amount of investment qualifying for this immediate deduction begins to phase out for small businesses with investment in excess of $400,000 (increased from $200,000). Both parameters are indexed for inflation beginning in 2004. These changes are effective for taxable years beginning in 2003, 2004, and 2005. Tax Relief: CY 2003: $3 billion.

Increase in First-Year Bonus Depreciation: The additional first-year bonus depreciation deduction is increased from 30 percent to 50 percent for investments acquired and placed in service after May 5, 2003 and before January 1, 2005. Taxpayers may also continue to use 30 percent bonus depreciation for property acquired and placed in service before January 1, 2005. Tax Relief: CY 2003: $20 billion.

AMT Hold-Harmless Relief: To ensure that the benefits from the acceleration of the tax reductions are not reduced by the AMT, the AMT exemption amount is increased by $9,000 for married taxpayers and by $4,500 for single taxpayers in 2003 and 2004. Tax Relief: CY 2003: $9 billion.

Total Tax Relief: CY 2003 $109 billion.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

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May 22, 2003
JS-409

Distribution Table for the Jobs and Growth Tax Relief Reconciliation Act of 2003

Attached is a table prepared by the Department of the Treasury that shows the distributional effects of the major individual income tax provisions in the Jobs and Growth Tax Relief Reconciliation Act of 2003. The effects are shown for the Act in 2003.

The average income tax reduction ranges from more than 15 percent for taxpayers with income under $30,000 to about 11 percent for taxpayers with income over $100,000. The average income tax reduction across all income groups is 11.9 percent.

Because the percentage reduction in income taxes is greatest for families with incomes under $50,000, these families will pay a smaller share of the total income tax burden under the Act than they do under current law (compare the distribution of total individual income taxes under 2003 law and under the Act).

Conversely, families with income of $100,000 or more receive a smaller than average percentage reduction in income taxes so they will pay a larger share of the total income tax burden under the Act than they do under current law. Under the Act, the share of income taxes paid by families with income of $100,000 or more will rise to 73.3 percent.

The table also presents the average individual income taxes paid for the representative income groups under the Jobs and Growth Tax Relief Reconciliation Act of 2003. Under the Act, those in the lowest income group (under $30,000) will on average receive refundable credits in excess of tax payments of $411 and those in the second lowest income group will pay an average of $1,012 in income tax. Those earning over $200,000 will on average pay approximately $99,000 in income taxes.

Related Documents:

- Jobs and Growth Tax Relief

Jobs and Growth Tax Relief Reconciliation Act of 2003[1]
(Relative to Major Individual Income Tax Provisions in Effect in 2003)

(2000 Income Levels)

Cash Income Class[2]	Distribution of Changes in Individual Income Taxes (%)	Distribution of Total Individual Income Taxes[3] 2003 Law (%)	Distribution of Total Individual Income Taxes[3] With Act[4] (%)	Average Individual Income Taxes With Act ($)	Percent Change in Individual Income Taxes (%)
0 - 30	2.5	-2.0	-2.6	-411	-15.5
30 - 40	3.3	2.1	1.9	1,012	-19.3
40 - 50	4.3	3.7	3.6	2,257	-14.0
50 - 75	10.8	11.6	11.7	4,313	-11.1
75 - 100	12.9	12.1	12.0	7,582	-12.7
100 - 200	25.5	27.6	27.9	15,902	-11.0
200 & over	40.5	44.8	45.4	99,472	-10.8
Total[5]	100.0	100.0	100.0	6,127	-11.9

Department of the Treasury
Office of Tax Analysis

May 22, 2003

[1] The provisions of the Act included are: i) accelerate to 2003 the reductions in income tax rates above 15% scheduled for 2004 and 2006; ii) accelerate to 2003 the increase in the width of the 10% bracket for single and joint filers scheduled for 2008; iii) accelerate to 2003 the increase in the standard deduction and the width of the 15% bracket for joint filers scheduled to phase in between 2005 and 2009; iv) accelerate to 2003 the increase in the child credit from $600 to $1,000 scheduled to phase in between 2005 and 2010; v) an increase in the AMT exemption amounts; and vi) a reduction in the tax rates on dividends and capital gains to 5% (for taxpayers in the 10% and 15% ordinary income tax brackets) and to 15% (for taxpayers in higher ordinary income tax brackets).

[2] Cash Income consists of wages and salaries, net income from a business or farm, taxable and tax-exempt interest, dividends, rental income, realized capital gains, cash transfers from the government, and retirement benefits. Employer contributions for payroll taxes and the federal corporate income tax are added to place cash on a pre-tax basis. Cash income is shown on a family rather than on a tax return basis. The cash incomes of all members of a family are added to arrive at a family's cash income used in the distributions.

[3] The refundable portions of the earned income tax credit (EITC) and the child credit are included in the individual income tax. Individual income taxes are estimated at 2000 income levels under 2003 law as if it were fully phased in law, so exclude provisions that expire prior to the end of the Budget period (ignoring the sunset of EGTRRA in 2011) and are adjusted for the effects of unindexed parameters.

[4] The change in individual income taxes under the Act is estimated at 2000 income levels as if the change represented fully phased in law (ignoring the sunset of EGTRRA in 2011).

[5] Families with negative incomes are excluded from the lowest income class but included in the total line.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
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Effects of Major Individual Income Tax Relief provisions in Jobs and Growth Tax Relief Reconciliation Act of 2003

In 2003, 91 million taxpayers will receive, on average, a tax cut of $1,126 under the Jobs and Growth Act of 2003.

• 68 million women will see their taxes decline, on average, by $1,338.
• 45 million married couples will receive average tax cuts of $1,786.
• 34 million families with children will benefit from an average tax cut of $1,549.
• 6 million single women with children will receive an average tax cut of $558.
• 12 million elderly taxpayers will receive an average tax cut of $1,401.
• 23 million small business owners will receive tax cuts averaging $2,209.
• 3 million individuals and families will have their income tax liability completely eliminated by the Act.

Each of the provisions in the Jobs and Growth Act of 2003 will benefit millions of taxpayers.
• Accelerating the 2004 and 2006 rate cuts in 2003 will provide 32 million taxpayers with an average tax cut of $1,060.
• Accelerating the expansion of the 10 percent rate bracket will reduce taxes for 69 million taxpayers, on average, by $76.
• Enacting marriage penalty relief in 2003 will reduce taxes for 34 million married couples by an average of $589.
• Increasing the child tax credit to $1,000 in 2003 will provide 26 million families with an average tax cut of $623.
• Lowering the tax rates on capital gains and dividend income will reduce taxes for 26 million taxpayers with income from these two sources by an average of $798. Among those with tax cuts will be 7 million elderly taxpayers whose taxes will decline, on average, by $1,088.

Background

This analysis is based on the following provisions:
• Acceleration of the 2004 and 2006 rate cuts to 2003.
• Reduction in marriage penalties through the acceleration of increases in the standard deduction from 2009 to 2003 and the width of the 15 percent rate bracket for joint filers from 2008 to 2003.
• Acceleration of the increase in the width of the 10 percent rate bracket for single and joint filers from 2008 to 2003.
• Acceleration of the increase to $1,000 in the child tax credit from 2010 to 2003 (except for advanced rebate).
• Lowering the tax rate on dividends and capital gains to 15 percent (5 percent for the lowest two rate brackets).
• An increase in the alternative minimum tax (AMT) exemption level.
•

The analysis above does not include the effects of two business provisions in the Act:
• Small businesses will benefit from an increase in the maximum amount of investment in equipment that they can expense from $25,000 to $100,000.
• Businesses will benefit from an increase in the first-year bonus depreciation deduction from 30 percent to 50 percent for qualified investments.

Office of Tax Policy
May 22, 2003

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

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May 22, 2003
JS-411

Examples of Tax Relief in 2003
under the
Jobs and Growth Tax Relief Reconciliation Act of 2003

Example 1: A married couple with one child and income of $40,000 will see their taxes decline under the Jobs and Growth Tax Relief Reconciliation Act of 2003 by $732 (from $2,235 to $1,503) in 2003, a decline of 33 percent.

Example 2: A married couple with two children and income of $40,000 will see their taxes decline under the Jobs and Growth Tax Relief Reconciliation Act of 2003 by $1,133 (from $1,178 to $45) in 2003, a decline of 96 percent.

Example 3: A married couple with two children and income of $60,000 will see their taxes decline under the Jobs and Growth Tax Relief Reconciliation Act of 2003 by $900 (from $3,750 to $2,850) in 2003, a decline of 24 percent.

Example 4: A married couple with two children and income of $75,000 will see their taxes decline under the Jobs and Growth Tax Relief Reconciliation Act of 2003 by $1,122 (from $5,817 to $4,695) in 2003, a decline of 19 percent.

Example 5: A married couple, both aged 65, with income of $40,000 (of which $2,000 is dividends and $15,000 is Social Security benefits) will see their taxes decline under the Jobs and Growth Tax Relief Reconciliation Act of 2003 by $255 (from $930 to $675) in 2003, a decline of 27 percent.

Example 6: A married couple, both aged 65, with income of $80,000 (of which $4,500 is dividends and $20,000 is Social Security benefits) will see their taxes decline under the Jobs and Growth Tax Relief Reconciliation Act of 2003 by $1,677 (from $9,107 to $7,430) in 2003, a decline of 18 percent.

Detailed examples are attached.

Related Documents:

- Tax Relief in 2003

Tax Relief in 2003
Under the Jobs and Growth Tax Relief Reconciliation Act of 2003

Example 1: Married Couple with One Child and Income of $40,000

	Current Law	Growth Package
Total Income (= AGI)	**40,000**	**40,000**
Less: Deductions (Larger of Standard or Itemized[1])	7,950	9,500
Less: Personal Exemptions (3 @ $3,050)	9,150	9,150
Taxable Income	**22,900**	**21,350**
Federal Income Tax Before Credits	**2,835**	**2,503**
Less: Child Tax Credit	600	1,000
Federal Income Tax After Credits	**2,235**	**1,503**
Tax Change: Amount		**-733**
Percent		**-33%**

Department of the Treasury
Office of Tax Analysis

May 22, 2003

[1] Itemized deductions are assumed to be 18 percent of AGI under current law.

Composition of Tax Reduction[2]:

Acceleration of 10-Percent Rate Bracket Expansion	100
Accleration of Increase in Child Tax Credit	400
Acceleration of Reduction in Marriage Penalty (larger standard deduction for joint filers)	233
Total	**733**

[2] Due to possible interactions among items in the Jobs and Growth Tax Relief Reconciliation Act of 2003, the tax reduction attributable to each provision may depend on the order in which the tax reductions are calculated. The composition of the tax reductions in this example is based on the order of the provisions as shown.

Tax Relief in 2003
Under the Jobs and Growth Tax Relief Reconciliation Act of 2003

Example 2: Married Couple with Two Children and Income of $40,000

	Current Law	Growth Package
Total Income (= AGI)	**40,000**	**40,000**
Less: Deductions (Larger of Standard or Itemized[1])	7,950	9,500
Less: Personal Exemptions (4 @ $3,050)	12,200	12,200
Taxable Income	**19,850**	**18,300**
Federal Income Tax Before Credits	**2,378**	**2,045**
Less: Child Tax Credit	1,200	2,000
Federal Income Tax After Credits	**1,178**	**45**
Tax Change: Amount		**-1,133**
Percent		**-96%**

Department of the Treasury
Office of Tax Analysis

May 22, 2003

[1] Itemized deductions are assumed to be 18 percent of AGI under current law.

Composition of Tax Reduction[2]:

Acceleration of 10-Percent Rate Bracket Expansion	100
Accleration of Increase in Child Tax Credit	800
Acceleration of Reduction in Marriage Penalty (larger standard deduction for joint filers)	233
Total	**1,133**

[2] Due to possible interactions among items in the Jobs and Growth Tax Relief Reconciliation Act of 2003, the tax reduction attributable to each provision may depend on the order in which the tax reductions are calculated. The composition of the tax reductions in this example is based on the order of the provisions as shown.

Tax Relief in 2003
Under the Jobs and Growth Tax Relief Reconciliation Act of 2003

Example 3: Married Couple with Two Children and Income of $60,000

	Current Law	Growth Package
Total Income (= AGI)	**60,000**	**60,000**
Less: Deductions (Larger of Standard or Itemized[1])	10,800	10,800
Less: Personal Exemptions (4 @ $3,050)	12,200	12,200
Taxable Income	**37,000**	**37,000**
Federal Income Tax Before Credits	**4,950**	**4,850**
Less: Child Tax Credit	1,200	2,000
Federal Income Tax After Credits	**3,750**	**2,850**
Tax Change: Amount		**-900**
Percent		**-24%**

Department of the Treasury
Office of Tax Analysis

May 22, 2003

[1] Itemized deductions are assumed to be 18 percent of AGI under current law.

Composition of Tax Reduction [2]:

Acceleration of 10-Percent Rate Bracket Expansion	100
Accleration of Increase in Child Tax Credit	800
Total	**900**

[2] Due to possible interactions among items in the Jobs and Growth Tax Relief Reconciliation Act of 2003, the tax reduction attributable to each provision may depend on the order in which the tax reductions are calculated. The composition of the tax reductions in this example is based on the order of the provisions as shown.

Tax Relief in 2003
Under the Jobs and Growth Tax Relief Reconciliation Act of 2003

Example 4: Married Couple with Two Children and Income of $75,000

	Current Law	Growth Package
Total Income (= AGI)	**75,000**	**75,000**
Less: Deductions (Larger of Standard or Itemized[1])	13,500	13,500
Less: Personal Exemptions (4 @ $3,050)	12,200	12,200
Taxable Income	**49,300**	**49,300**
Federal Income Tax Before Credits	**7,017**	**6,695**
Less: Child Tax Credit	1,200	2,000
Federal Income Tax After Credits	**5,817**	**4,695**
Tax Change: Amount		**-1,122**
Percent		**-19%**

Department of the Treasury
Office of Tax Analysis

May 22, 2003

[1] Itemized deductions are assumed to be 18 percent of AGI under current law.

Composition of Tax Reduction[2]:

Acceleration of 10-Percent Rate Bracket Expansion	100
Accleration of Increase in Child Tax Credit	800
Acceleration of Tax Rate Reductions (rates above 15 percent)	37
Acceleration of Reduction in Marriage Penalty (larger 15-percent tax bracket for joint filers)	185
Total	**1,122**

[2] Due to possible interactions among items in the Jobs and Growth Tax Relief Reconciliation Act of 2003, the tax reduction attributable to each provision may depend on the order in which the tax reductions are calculated. The composition of the tax reductions in this example is based on the order of the provisions as shown.

Tax Relief in 2003
Under the Jobs and Growth Tax Relief Reconciliation Act of 2003

Example 5: Married Couple, Both Aged 65, with Income of $40,000

	Current Law	Growth Package
Taxable Pensions and Interest	23,000	23,000
Dividends	2,000	2,000
Social Security Benefits	15,000	15,000
Total Income	**40,000**	**40,000**
Less: Nontaxable Social Security benefits	14,750	14,750
AGI	**25,250**	**25,250**
Less: Deductions (Larger of Standard or Itemized[1])	9,850	11,400
Less: Personal Exemptions (2 @ $3,050)	6,100	6,100
Taxable Income	**9,300**	**7,750**
Federal Income Tax	**930**	**675**
Tax Change: Amount		**-255**
Percent		**-27%**

Department of the Treasury
Office of Tax Analysis

May 22, 2003

[1] Itemized deductions are assumed to be 18 percent of AGI under current law.

Composition of Tax Reduction[2]:

Acceleration of Reduction in Marriage Penalty (larger standard deduction for joint filers)	155
Lower tax rate on dividends	100
Total	**255**

[2] Due to possible interactions among items in the Jobs and Growth Tax Relief Reconciliation Act of 2003, the tax reduction attributable to each provision may depend on the order in which the tax reductions are calculated. The composition of the tax reductions in this example is based on the order of the provisions as shown.

Tax Relief in 2003
Under the Jobs and Growth Tax Relief Reconciliation Act of 2003

Example 6: Married Couple, Both Aged 65, with Income of $80,000

	Current Law	Growth Package
Taxable Pensions and Interest	55,500	55,500
Dividends	4,500	4,500
Social Security Benefits	20,000	20,000
Total Income	**80,000**	**80,000**
Less: Nontaxable Social Security benefits	3,000	3,000
AGI	**77,000**	**77,000**
Less: Deductions (Larger of Standard or Itemized[1])	13,860	13,860
Less: Personal Exemptions (2 @ $3,050)	6,100	6,100
Taxable Income	**57,040**	**57,040**
Federal Income Tax	**9,107**	**7,430**
Tax Change: Amount		**-1,677**
Percent		**-18%**

Department of the Treasury
Office of Tax Analysis

May 22, 2003

[1] Itemized deductions are assumed to be 18 percent of AGI under current law.

Composition of Tax Reduction [2]:

Acceleration of 10-Percent Rate Bracket Expansion	100
Acceleration of Tax Rate Reductions (rates above 15 percent)	192
Acceleration of Reduction in Marriage Penalty (wider 15-percent tax bracket for joint filers)	935
Lower tax rate on dividends	450
Total	**1,677**

[2] Due to possible interactions among items in the Jobs and Growth Tax Relief Reconciliation Act of 2003, the tax reduction attributable to each provision may depend on the order in which the tax reductions are calculated. The composition of the tax reductions in this example is based on the order of the provisions as shown.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
JS-412

Advance Payments of an Increase in the Child Tax Credit under the Jobs and Growth Tax Relief Reconciliation Act of 2003

The Conference agreement accelerates the child tax credit from $600 to $1,000 per child effective in 2003 and 2004.

This year, a typical family with one child will receive a check for $400. A typical family with two children will receive a check for $800.

Eligible taxpayers would receive an average tax cut of $623 each year as a result of the increase in the child tax credit.

For 2003, the increased amount of the child tax credit will be paid in advance to taxpayers who claimed a child tax credit on their 2002 tax return.

o Approximately 25 million families will receive checks totaling $14 billion.
o Advance payment checks will be sent out beginning in mid-July over a period of three weeks.

The amount of advance payments will be based on taxpayers' 2002 filing status and income, as well as the number of children claimed on their 2002 tax return who will still be under age 17 in 2003.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
JS-413

Provisions in Jobs and Growth Tax Relief Reconciliation Act of 2003 for Small Business Owners

• By accelerating tax reductions that were enacted in the 2001 tax act, the Jobs and Growth Tax Relief Reconciliation Act would provide small business owners with much needed assistance.

• 23 million small business owners would receive tax cuts averaging $2,209.

• Accelerating the reduction in the top marginal rate scheduled to take effect in 2006 (to 35%) to 2003 would help small businesses.

• Owners of flow-through entities, including small business owners and entrepreneurs, comprise two-thirds (about 400,000) of the 600,000 tax returns that would benefit from accelerating the reduction in the top tax bracket scheduled for 2006 to 2003.

• These small business owners would receive 79% (about $9.7 billion) of the $12.4 billion in tax relief from accelerating the reduction in the top tax bracket to 35% from 2006 to 2003.

• The increase in the expensing for new investment would encourage small business owners to purchase the technology, machinery, and other equipment they need to expand.

• The amount of investment that may be immediately deducted by small businesses would quadruple from $25,000 to $100,000 beginning in 2003. The amount of investment qualifying for this immediate deduction will begin to phase out for small businesses with investment in excess of $400,000 (doubled from $200,000). Both parameters are indexed for inflation beginning in 2004. Computer software would be eligible for expensing. The provision sunsets after December 31, 2005.

• The increase in expensing provides incentives for small businesses to grow.

• Small business owners who purchase equipment to grow and expand will get assistance through this provision. The increase in expensing encourages capital investment by small businesses.

• Tax compliance and record-keeping burdens would be simplified by allowing many small businesses to avoid the inherent complexity of depreciation provisions.

Office of Tax Policy
May 22, 2003

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
JS-414

Reduction in Individual Tax Rates on dividends and Capital Gains under the Jobs and Growth Tax Relief Reconciliation Act of 2003

The maximum tax rate on dividends paid by corporations to individuals and on individuals' capital gains is reduced to 15% in 2003 through 2008. For taxpayers in the 10% and 15% ordinary income tax rate brackets, the rate on dividends and capital gains is reduced to 5% in 2003 through 2007, and to zero in 2008. The new rates apply to capital gains realized on or after May 6, 2003, and to dividends received in 2003 and after.

This provision reduces the double taxation of corporate earnings. Taxes are reduced for 26 million taxpayers with income from dividends and capital gains by an average of $798.

Among those with tax cuts will be 7 million elderly taxpayers whose taxes will decline, on average, by $1,088.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
JS-415

Effects of the Bonus Depreciation Provision in the Jobs and Growth Tax Relief Reconciliation Act of 2003

Increase incentives for businesses to grow:

- The bill increases the additional first-year "bonus" depreciation deduction from 30 percent to 50 percent for qualified investments made after May 5, 2003. It also extends the sunset date for investment to qualify for bonus depreciation from September 11, 2004 to December 31, 2004.
- Benefits of the bonus depreciation provision:
  - Provides an immediate investment stimulus by increasing the rate of bonus depreciation by 67 percent. Businesses that invest to grow and expand will get assistance through this provision.
  - Provides an investment stimulus for projects that require a longer lead time for planning and production by extending the qualifying period for bonus depreciation.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
JS-416

Withholding Changes
Under the Jobs and Growth Tax Relief Reconciliation Act of 2003

Workers will not need to take any action to have their withholding adjusted.

- Their paychecks should reflect the tax relief as soon as employers and payroll processors implement the new withholding tables.

- Employers should implement the withholding reductions as soon as they receive the new withholding materials.

Revised withholding information will be:

  - Posted on the IRS web site on date the bill is signed.

  - Mailed to all employers by mid-June.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

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May 22, 2003
JS-417

State-By-State Breakdown of the Jobs and Growth Tax Relief Reconciliation Act of 2003

The table attached estimates the number of taxpayers by state that would benefit from the Jobs and Growth Tax Relief Reconciliation Act of 2003.

The Act will:
- Reduce Taxes
- Accelerate the 10-Percent Bracket Expansion
- Accelerate the Reduction in Income Tax Rates
- Accelerate the Reduction in Marriage Penalty
- Accelerate the Increase in Child Tax Credit
- Provide a Reduced Individual Tax Rate for Corporate Dividends and Capital Gains

Attachment:

Related Documents:

- State-by-State Table & Footnotes

JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003
STATE-BY-STATE DISTRIBUTION
BASED ON NUMBER OF RETURNS FILED IN 2002 THAT WOULD HAVE BENEFITED FROM THE ACT
(in thousands)

	Entire Jobs and Growth Act[1]	Specific Provisions of Act					Addendum: Returns with Business Income[3] Benefiting from Act
		Accelerate 10% Bracket Expansion	Accelerate Reduction in Top Rates	Accelerate Reduction of Marriage Penalty	Accelerate Increase in Child Tax Credit	Reduced Tax Rates on Capital Gains and Dividends[2]	
United States	89.711	68.521	26.736	35.050	25.346	25.497	20.989
Alabama	1.199	862	273	499	403	309	262
Alaska	222	176	74	86	59	67	64
Arizona	1.538	1.167	427	610	447	419	333
Arkansas	706	508	133	304	231	175	174
California	10.569	7.953	3.651	3.976	2.823	3.171	2.729
Colorado	1.526	1.216	507	602	399	453	430
Connecticut	1.240	982	487	486	313	403	304
Delaware	272	212	88	105	77	78	53
Florida	5.069	3.779	1.332	1.890	1.432	1.373	1.164
Georgia	2.457	1.820	725	950	759	685	568
Hawaii	404	317	111	155	108	110	109
Idaho	379	288	78	173	117	99	112
Illinois	4.035	3.104	1.336	1.563	1.139	1.190	885
Indiana	1.947	1.524	498	814	582	528	426
Iowa	932	740	208	402	275	246	256
Kansas	846	660	217	367	251	234	224
Kentucky	1.167	887	258	500	349	305	263
Louisiana	1.150	814	266	448	389	297	275
Maine	419	327	92	171	119	109	114
Maryland	1.891	1.459	715	705	521	575	421
Massachusetts	2.312	1.868	881	862	549	727	569
Michigan	3.194	2.497	996	1.311	911	922	648
Minnesota	1.734	1.408	540	713	468	505	433
Montana	268	202	51	114	78	69	92
Mississippi	690	474	134	269	248	167	152
Missouri	1.736	1.331	439	715	512	470	389
North Carolina	2.472	1.856	628	1.002	769	660	590
North Dakota	200	157	38	85	57	52	66
Nebraska	551	434	125	233	160	147	152
Nevada	709	546	197	256	199	189	143
New Hampshire	466	379	150	192	124	139	112
New Jersey	2.955	2.273	1.175	1.150	775	954	655
New Mexico	540	395	134	215	163	145	144
New York	5.905	4.390	2.043	2.056	1.594	1.762	1.364
Ohio	3.880	3.084	1.084	1.344	992	1.036	773
Oklahoma	955	709	205	413	297	248	256
Oregon	1.095	856	296	450	308	302	289
Pennsylvania	3.989	3.117	1.107	1.603	1.116	1.117	824
Rhode Island	350	279	107	132	92	99	84
South Carolina	1.169	862	271	455	373	301	256
South Dakota	233	180	44	98	69	60	75
Tennessee	1.688	1.252	382	690	527	439	384
Texas	6.052	4.426	1.708	2.439	1.837	1.690	1.442
Utah	656	508	152	300	202	178	173
Vermont	210	168	52	83	56	57	62
Virginia	2.435	1.915	817	980	661	727	526
Washington	2.030	1.619	641	825	556	586	477
Wisconsin	1.844	1.494	497	761	517	510	405
West Virginia	484	362	92	217	147	123	97
Wyoming	161	127	39	69	47	44	49
DC	202	150	82	36	42	60	42
Other Areas	576	410	153	173	110	186	103

Notes and footnotes appear on following page.
5-22-03

Notes

The figures in the table are based on tabulations of all individual income tax returns filed and processed through the IRS Individual Master File (IMF) during calendar year 2002. Most returns filed in 2002 were for tax year 2001.

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.

Footnotes

[1] The number of returns benefiting from each of the specific provisions shown may not add to the number benefiting from the entire package because some returns will benefit from more than one provision. In addition to the provisions shown separately, the Act includes an increase in exemption levels for the alternative minimum tax (AMT).

[2] Only returns with capital gains and dividend income are included. Returns reporting no such income can also benefit from the provision because they will receive higher returns on other investments.

[3] Returns with business income are those that report at least one dollar of income or loss from a sole proprietorship, farm proprietorship, partnership, S corporation, and or rental income.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 22, 2003
JS-418

The Jobs & Growth Tax Relief Reconciliation Act of 2003 will Alabama Taxpayers

This is an example of how the state table can be interpreted.

REDUCING TAXES

- **1,200,000** taxpayers in Alabama will have lower income tax bills in 2003 under the Jobs and Growth Tax relief Reconciliation Act of 2003.

- More than **260,000** business taxpayers can use their tax savings to invest in new equipment, hire additional workers, and increase pay.

ACCELERATE 10-PERCENT BRACKET EXPANSION

- More than **860,000** married couples and single filers will benefit from the acceleration to 2003 of the expansion of the 10-percent bracket scheduled for 2008.

ACCELERATE REDUCTION IN INCOME TAX RATES

- More than **270,000** taxpayers in Alabama will benefit from the acceleration to 2003 of the reductions in income tax rates in excess of 15-percent scheduled for 2004 and 2006.

ACCELERATE REDUCTION IN MARRIAGE PENALTY

- Just under **500,000** married couples in Alabama will benefit from the acceleration to 2003 of provisions that increase the standard deduction for joint filers to double the amount for single filers and increase the width of the 15-percent bracket to twice the width for single filers. These two provisions were scheduled to phase in between 2005 and 2009.

ACCELERATE INCREASE IN CHILD TAX CREDIT

- More than **400,000** married couples and single parents in Alabama will benefit from the acceleration to 2003 of the increase in the child tax credit from $600 to $1,000 that was scheduled to phase in between 2005 and 2010.

EXCLUSION FOR CORPORATE DIVIDENDS

- More than **300,000** taxpayers in Alabama will benefit from the reduced tax rates on capital gains and dividends.

SOURCE: *Counts are for the number of returns filed in 2002 that would have benefited from the package. These estimates are based on tabulations from all individual income tax returns processed by the Internal Revenue Service in 2002. Most of these returns covered tax year 2001.*

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 17, 2003
JS-419

Finance Ministers' Statement
Deauville, May 17th, 2003

We met today ahead of the Evian Summit. While major downside risks have receded, our economies continue to face many challenges. We are nonetheless confident in the potential for stronger growth. Our task is to realise this potential. We will therefore continue to cooperate to achieve higher growth in all of our economies, while ensuring domestic and external sustainability, and thereby to contribute to global economic growth. We are strengthening our commitments to structural reforms and sound macroeconomic policies.

As we face a common challenge of ageing, our contribution to higher worldwide growth should rely more strongly on a good system of education and life-long learning, research and development, innovation and entrepreneurship, on the foundation of a sustainable fiscal and monetary framework. Europe will continue to foster innovation and to accelerate labour, product and capital market reforms so as to achieve a more flexible economy. The US will act to create jobs and to encourage savings and investment by the private sector. Japan will continue its structural reforms, including in its financial and corporate sectors, and intensify its efforts to combat deflation. Canada will maintain monetary prudence and fiscal balance, while investing in productivity. Russia, which has greatly improved its performance, will pursue structural reforms, in particular in the financial sector.

To bolster investor confidence, we will continue to reinforce corporate governance practices, market discipline, transparency and regulation in line with the principles agreed in February. We welcome the work program agreed by the Financial Stability Forum in Berlin on potential financial vulnerabilities and corporate governance and related matters, including rating agencies and financial analysts, and will review the results of this work in September. We have agreed to appoint Roger Ferguson as FSF Chair. We favour the emergence, through open and public processes involving the private sector, of high-quality internationally recognized accounting standards that are applied, interpreted and enforced, with due regard to financial stability concerns. We will closely monitor the on-going work on Basel II and will review the issue at our next meeting in September. We also encourage voluntary private sector initiatives that foster and complement such international efforts to promote corporate social and environmental responsibility as the OECD guidelines for Multinational Enterprises and the UN Global Compact principles.

We reaffirm our strong commitment to combat terrorist financing. We call on the Financial Action Task Force to deepen its engagement with the UN and the International Financial Institutions, to foster worldwide compliance with international standards against terrorist financing and delivery of related technical assistance. We look forward to further work on the misuse of alternative remittance systems and non-profit organisations and to developing more effective freezing regimes. We welcome the progress achieved by the IMF, the World Bank and the FATF on the pilot program of assessments and look forward to its evaluation. We look forward to revised FATF recommendations by June, establishing an enhanced standard in the fight against money laundering and financial crime.

We urge all OECD countries to implement the standards set out in the OECD's 2000 report on access to bank information and to ensure effective exchange of information for tax purposes.

We reaffirm our commitment to strengthen our crisis prevention and resolution measures through improved IMF surveillance, greater transparency and more orderly, timely and predictable workouts of unsustainable debt. We welcome Brazil, South Africa and Uruguay's decisions to adopt collective action clauses following on Mexico's lead, and we encourage countries to adopt CACs with terms that facilitate debt restructuring. While keeping debt restructuring a last resort, we have agreed on a new Paris Club approach, as set out in the annex, for non-HIPC low- and middle-income countries ready to follow an exit strategy and to seek comparable treatment. We welcome initiatives being taken, including issuers, private sector and ourselves, on the development of a code of conduct. We look forward to reviewing progress in September.

We are at a turning point on development as on trade issues. We owe it to developing countries to take up our responsibilities. First, we need to raise economic growth in our own economies. Second, within a predictable medium-term framework, we need to provide the developing countries the resources necessary to support their commitment to implement structural and governance reforms, so as to accelerate their growth and social progress. Third, we are determined to achieve the objectives and overall timetable set out in the Doha Development Agenda and to ensure that the Cancun ministerial takes the decisions necessary to reach these goals. Commitments taken must be fulfilled. It is our duty as much as it is to the benefit of all. We ask Francis Mer to report to the Heads of States and Government in advance of the Evian summit on these issues, with a view to delivering on these commitments in order to meet the Millenium Development Goals.

We reaffirm our commitment to achieve these Goals, including health, education and water, to support the Global Health Fund and to complete the Heavily-Indebted Poor Countries initiative. The fight against global poverty calls for increased resources. Building on our recent announcements of increased resources and on our discussions to date on financing instruments, including facilities, we call for a report by September. Equally, as set out in the document made public today, we stress the importance of improving the effectiveness of our bilateral and multilateral aid, including by focusing on poor countries committed to reforms, setting and achieving measurable objectives, adopting growth-oriented policies and reducing transaction costs of assistance. We are also committed to promoting good governance, improved transparency and public financial management and the fight against corruption. We will review progress next year. We recognize the importance of rules-based trade in driving economic growth and poverty reduction. Building on Nepad, we agree that Africa must become more integrated into the global economy and we will leverage the benefits for Africa of our trade commitments. We look forward to the results of IFIs' study of market-based mechanisms to reduce the impact of short-term commodity price volatility.

Annex to the Deauville communiqué

A new Paris Club approach to debt restructuring

The Paris Club of official creditors is a central element of the existing framework for crisis resolution. In the context of the current efforts to make the resolution of crises more orderly, timely and predictable, the Paris Club can make a contribution.

The debt of heavily indebted poor countries is already addressed under an existing international initiative. For other countries experiencing serious debt problems, Finance Ministers encourage the Paris Club to improve its methods. They endorse appropriate action to achieve lasting debt sustainability, while ensuring that debt restructuring remains the last resort. Given the need to preserve access to private capital, the Paris Club should tailor its response to the specific financial situation of each country rather than defining standard terms under this new approach.

When a country approaches the Paris Club, the sustainability of its debt would be reviewed and analysed in coordination with the IMF. For a country, which has unsustainable debt and is committed to policies that will avoid a return to the Paris Club, as well as to seeking comparable treatment from its other external creditors, including the private sector, the Paris Club would define a process to provide debt relief in stages. These stages would be designed to have a strong link with economic performance and public debt management. A satisfactory track record in implementing an IMF program and in paying Paris Club creditors would be needed, after which the debt restructuring would be carried out in several steps linked to IMF conditionality.

Under this approach, the Paris Club could draw on a wide range of options to facilitate the return to debt sustainability, including:

• debt reduction in exceptional cases when its need is clearly demonstrated,
• an active policy of adjusting the "cut-off date" (claims contracted after that date are not eligible for restructuring in the Paris Club),
• over time, use of flexible instruments such as debt buybacks and swaps.

In this context, coordination between official and other creditors, notably private creditors, is particularly important. The Paris Club has taken a number of steps to increase transparency of its procedures over the past years notably through meetings with private sector representatives and the information provided on its web site. This dialogue should continue and could take the form of early discussions with the private sector on the issue of the comparability of treatment of their respective claims.

Finance Ministers urge the Paris Club to adopt such an approach in future restructuring cases and will review its implementation in Spring 2004.

MEDIA ADVISORY

FOR PLANNING PURPOSES ONLY

U.S. Treasury Secretary John Snow to Announce Lifting of U.S. Iraq Sanctions

Pen and Pad Briefing by Senior Treasury Official to Follow

FOR IMMEDIATE RELEASE
May 27, 2003

Contact: Taylor Griffin
(202) 622-2960

U.S. Treasury Secretary John Snow will hold a press conference this afternoon at 1:30 PM in the Treasury Department Media Room to announce the lifting of most remaining U.S. sanctions on Iraq. Today's announcement implements the resolution passed by the United Nations Security Council last Thursday lifting the U.N.'s sanctions against Iraq.

Secretary Snow will depart immediately following his remarks. Treasury General Counsel David Aufhauser will be available to take questions.

WHAT:	Announcement of lifting of U.S. Iraq Sanctions
WHEN:	1:30 PM
WHERE:	Treasury Department Media Room (Room 4121)
PARTICIPANTS:	Secretary Snow David Aufhauser, General Counsel
COVERAGE:	Snow remarks will be on-camera, on-the-record Aufhauser will be pen and pad only

Media without Treasury or White House press credentials planning to attend should contact Frances Anderson at Treasury's Office of Public Affairs at (202) 622-2960 or e-mail frances.anderson@do.treas.gov as soon as possible with the following information: name, social security number and date of birth. This information may also be faxed to (202) 622-1999.

-30-

JS-420

FROM THE OFFICE OF PUBLIC AFFAIRS

May 24, 2003
JS-421

Treasury Announces Auction Schedule for the Week of May 26th

Treasury will announce all auctions scheduled for the week of May 26th on Tuesday, May 27th at 9:00 am. All securities will settle on their regularly scheduled dates. Treasury will also announce a Cash Management Bill on Tuesday for auction that day and settlement on Wednesday.

Treasury will resume issuance of State and Local Government Series securities effective Monday, June 2, 2003.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 24, 2003
JS-422

Statement of Treasury Secretary John W. Snow On the Increase in the Statutory Debt Limit

I applaud the Leaders and Members of Congress who voted to preserve the full faith and credit of the U.S. government by increasing the statutory debt ceiling. They put politics aside and took action to ensure that the government's payment obligations to the military, retirees and Medicare recipients will be met on time. Today's action prevents uncertainty that would adversely impact our economic recovery. I commend Congress for its action.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 28, 2003

PRESIDENT'S COMMISSION ON THE UNITED STATES POSTAL SERVICE

For Immediate Release Contact: Betsy Holahan
May 27, 2003 202-622-2960

MEDIA ADVISORY
President's Commission on United States Postal Service
Holds Sixth Public Meeting May 28 in Washington, DC

The President's Commission on the United States Postal Service will hold its sixth public meeting on May 28, 2003 in Washington, DC.

The meeting will take place in the Hart Senate Office Building, Room 216, Constitution Ave. and 2nd St., NE, Washington, DC. It is open to the public and the media.

The agenda and witness list is attached.

The nine-member bipartisan Commission, established by President Bush on December 11, 2002, will identify the operational, structural, and financial challenges facing the Postal Service; examine potential solutions; and recommend legislative and administrative steps to ensure the long-term viability of postal services in the United States. The Commission is co-chaired by James A. Johnson, Vice Chairman of Perseus, L.L.C., and Harry J. Pearce, Chairman of Hughes Electronics Corporation. The Commission will submit its report to the President by July 31, 2003.

Additional information about the Commission can be found at
http://www.treasury.gov/offices/domestic-finance/usps

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Attachments

- Agenda & Witness List

JS - 423

PRESIDENT'S COMMISSION ON THE UNITED STATES POSTAL SERVICE

Witness List

Meeting
May 28, 2003

Washington, DC
Hart Senate Office Building
Room SH-216

2:00 pm to 5:15 pm

I. The Financial Outlook for the Postal Service.

- Winthrop Watson, Managing Director, JP Morgan Chase

II. Cost Measurement, Attribution, and Pricing.

- Professor Michael Bradley, Department of Economics, George Washington University, on behalf of the United States Postal Service

- James Holsen, Vice President, Industrial Engineering, United Parcel Service

III. The Postal Service Benefits Package.

- Tom O. S. Rand, Aon Consulting

IV. Postal Reform: Views of the Stakeholders.

Panel A:

- The Honorable William L. Clay, Sr., Chairman, Consumer Alliance for Postal Services

Panel B:

- Jim Martin, President, 60 Plus Association

Panel C:

- Gary Mulloy, Chairman and Chief Executive Officer, ADVO

- James R. O'Brien, Director of Distribution and Postal Affairs, Time Inc.

- Max Heath, Postal Committee Chairman, National Newspaper Association

Panel D:

- Guy H. Wendler, President and Chief Executive Officer, Stamats Communications Inc, on behalf of American Business Media

- Brad Nathan, President, Quebecor Logistics

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

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May 27, 2003
2003-5-27-8-24-46-1842

Treasury Letter to Rep. Baker on GSEs

Related Documents:

- Treasury Letter to Rep. Baker on GSEs

JS 424

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

UNDER SECRETARY

May 23, 2003

The Honorable Richard H. Baker
Chairman
Subcommittee on Capital Markets, Insurance
and Government Sponsored Enterprises
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515-1805

Dear Mr. Chairman:

Thank you for your recent letter and for your continued leadership in this important area of public policy regarding government-sponsored enterprises. You inquired about this Administration's views on government-sponsored enterprises in the context of the testimony given by then-Under Secretary Gensler on March 22, 2000, and his clarification of March 24, 2000.

The most complete statement of this Administration's objectives and priorities regarding government-sponsored enterprises remains the testimony that I presented to your Subcommittee on July 16, 2002, together with my subsequent colloquy with you and other members of the Subcommittee.

Prominent among the issues that we discussed was the adequacy of regulation and supervision of the housing government-sponsored enterprises. In particular, we think that Congress could usefully consider the powers and resources of both the Office of Federal Housing Enterprise Oversight and the Federal Housing Finance Board and/or whether structural changes might improve the effectiveness of our oversight and regulation of the government-sponsored enterprises and other financial institutions.

We look forward to working with you and other members of Congress on these issues. Thank you again for your leadership in this area.

Sincerely,

Peter R. Fisher
Under Secretary for Domestic Finance

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 27, 2003
JS-426

Statement Prepared by Secretary of the Treasury John Snow Announcing the Lifting of U.S. Sanctions against Iraq

Good Afternoon. I am pleased to announce that Treasury's Office of Foreign Assets Control has issued a general license lifting most U.S. economic sanctions against Iraq. Today's action represents President Bush's commitment to return the Iraqi people to the family of trading nations as soon as possible and marks a new beginning for liberated Iraq. Saddam Hussein's regime and the command economy he forced on the Iraqi people is now merely a painful memory. As other nations follow the lead of the United States and implement the resolution passed by the United Nations Security Council last Thursday, the Iraqi people can look forward to an end to the crippling economic deprivation they suffered under Saddam Hussein.

For the first time in over two decades, Iraq will trade freely. Trade and the opportunities and resources that come with it will unleash the forces of the free market, bringing a better life for the people of Iraq. Oil can now be exported to finance reconstruction and humanitarian needs. Vital goods and services can be imported and the entrepreneurial spirit, inherent in people everywhere, can flourish once again in Iraq. For example, Iraqi entrepreneurs, innovators and dreamers, no longer stifled by a Stalin-esque command economy, can now access capitol abroad to make their vision a reality.

Today's action follows general licenses issued by the Office of Foreign Asset Control May 7 permitting activities related to humanitarian relief and reconstruction efforts in Iraq. The license announced today allows all transactions with the exception of trade in arms, stolen cultural artifacts and trade with Baath party officials and certain other Iraqi officials and agents.

Today is an important day for the Iraqi people. It is no longer a crime for U.S. companies and individuals to do business with Iraq. The United States has taken steps to rapidly implement the lifting of UN sanctions. Now it is imperative that other nations take similar steps to restart the free flow of commerce with a liberated Iraq. The sooner the world moves forward to reestablish trade with Iraq, the sooner the Iraqi people can begin to repair a broken financial system and lay the foundations for future prosperity.

With that, I turn it over to Treasury's General Counsel David Aufhauser who will be happy to take your questions.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 27, 2003
JS-427

Snow Announces Lifting of U.S. Iraq Sanctions

Action permits all activities except trade in arms, certain cultural artifacts and transactions with Baath party and certain other Iraqi officials

WASHINGTON, DC – U.S. Treasury Secretary John Snow today announced that the Treasury Department's Office of Foreign Assets Control (OFAC) has issued a general license that lifts most U.S. economic sanctions against Iraq. This implements the resolution approved by the United Nations Security Council last Thursday ending the UN's Iraq sanctions. Also, President Bush has signed an Executive Order implementing measures in the UN Security Council resolution to protect from litigation the Development Fund for Iraq, Iraqi petroleum and proceeds from its sale.

"Today's action represents President Bush's commitment to return the Iraqi people to the family of trading nations as soon as possible. The U.S. has acted immediately to permit trade between the United States and a newly liberated Iraq and we call on other nations to do the same."

The general license will permit most trade between U.S. and Iraqi entities – allowing the free flow of commerce between our two nations. However, trade in arms, trade in certain cultural artifacts illegally removed from Iraq and trade with previously designated persons and certain Baath party officials will continue to be prohibited. Also, the export of certain goods, controlled for export to Iraq for national security purposes, will require a specific license. The U.S. Treasury has acted rapidly to implement the U.N. Security Council resolution. It is vital that other nations take immediate steps to do the same.

In addition, as prescribed in the U.N. Security Council resolution, the President's Executive Order protects the newly established Development Fund for Iraq and petroleum and the proceeds from its sale from legal attachments that result from litigation against the former regime of Saddam Hussein.

Today's announcement follows up on key action taken by the Treasury Department May 7 to permit humanitarian and reconstruction activities to go forward and is a final step in President Bush's effort to lift sanctions against Iraq and initiate a new beginning for the Iraqi people as a trading nation.

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
May 27, 2003

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 16-DAY BILLS

Term:	16-Day Bill
Issue Date:	May 28, 2003
Maturity Date:	June 13, 2003
CUSIP Number:	912795QF1

High Rate: 1.160% Investment Rate 1/: 1.190% Price: 99.948

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 83.28%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 17,830,000	$ 4,000,152
Noncompetitive	0	0
FIMA (noncompetitive)	0	0
SUBTOTAL	17,830,000	4,000,152
Federal Reserve	0	0
TOTAL	$ 17,830,000	$ 4,000,152

Median rate 1.160%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 1.130%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 17,830,000 / 4,000,152 = 4.46

1/ Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

JS-428

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.
May 27, 2003

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS CASH MANAGEMENT BILLS

The Treasury will auction approximately $4,000 million of 16-day Treasury cash management bills to be issued May 28, 2003.

Tenders for Treasury cash management bills to be held on the book-entry records of *TreasuryDirect* will not be accepted.

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 $100 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 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 the new security are given in the attached offering highlights.

oOo

Attachment

JS 429

HIGHLIGHTS OF TREASURY OFFERING
OF 16-DAY CASH MANAGEMENT BILLS

May 27, 2003

Offering Amount	$ 4,000 million
Maximum Award (35% of Offering Amount)	$ 1,400 million
Maximum Recognized Bid at a Single Rate	$ 1,400 million
NLP Reporting Threshold	$ 1,400 million

Description of Offering:

Term and type of security	16-day Cash Management Bill
CUSIP number	912795 QF 1
Auction date	May 27, 2003
Issue date	May 28, 2003
Maturity date	June 13, 2003
Original issue date	May 28, 2003
Currently outstanding	---
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 $100 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 (NLP) for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position equals or exceeds the NLP reporting threshold stated above.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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.

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TREASURY NEWS

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EMBARGOED UNTIL 9:00 A.M.
May 27, 2003

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 2-YEAR NOTES

The Treasury will auction $25,000 million of 2-year notes to refund $20,444 million of publicly held notes maturing May 31, 2003, and to raise new cash of approximately $4,556 million.

The announcement of the 2-year offering, originally scheduled for May 22, 2003, was postponed on that date.

In addition to the public holdings, Federal Reserve Banks hold $6,020 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 $100 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 $624 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

JS 430

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF 2-YEAR NOTES TO BE ISSUED JUNE 2, 2003

May 27, 2003

Offering Amount	$25,000 million
Maximum Award (35% of Offering Amount)	$ 8,750 million
Maximum Recognized Bid at a Single Rate	$ 8,750 million
NLP Reporting Threshold	$ 8,750 million

Description of Offering:

Term and type of security	2-year notes
Series	L-2005
CUSIP number	912828 BB 5
Auction date	May 29, 2003
Issue date	June 2, 2003
Dated date	May 31, 2003
Maturity date	May 31, 2005
Interest rate	Determined based on the highest accepted competitive bid
Yield	Determined at auction
Interest payment dates	November 30 and May 31
Minimum bid amount and multiples	$1,000
Accrued interest payable by investor	Determined at auction
Premium or discount	Determined at auction

STRIPS Information:

Minimum amount required	$1,000
Corpus CUSIP number	912820 HY 6
Due date(s) and CUSIP number(s) for additional TINT(s)	May 31, 2005 - - 912833 ZH 6

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 $100 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 equals or exceeds the NLP reporting threshold stated above.

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

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 9:00 A.M.
May 27, 2003

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS 4-WEEK, 13-WEEK, AND 26-WEEK BILLS

The Treasury will auction three series of Treasury bills totaling $57,000 million to refund an estimated $43,775 million of publicly held Treasury bills maturing May 29, 2003, and to raise new cash of approximately $13,225 million.

The announcement of the 13-week and 26-week offerings, originally scheduled for May 22, 2003, was postponed on that date.

Tenders for 4-week Treasury bills to be held on the book-entry records of *TreasuryDirect* will not be accepted.

The Federal Reserve System holds $15,300 million of the Treasury bills maturing on May 29, 2003, in the System Open Market Account (SOMA). This amount may be refunded at the highest discount rate of accepted competitive tenders in these auctions. 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 $100 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

Please note that the auctions of the 4-week, 13-week, and 26-week bills will be held on Wednesday, May 28, 2003. For the 4-week bill auction, the closing times for receipt of noncompetitive and competitive tenders will be 11:00 a.m. and 11:30 a.m. eastern daylight saving time, respectively. For the 13-week and 26-week bill auctions, the closing times for receipt of noncompetitive and competitive tenders will be 12:00 noon and 1:00 p.m. eastern daylight saving time, respectively.

TreasuryDirect customers have requested that we reinvest their maturing holdings of approximately $1,095 million into the 13-week bill and $684 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

JS 431

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED MAY 29, 2003

May 27, 2003

Offering Amount	$25,000 million	$16,000 million	$16,000 million
Maximum Award (35% of Offering Amount)	$ 8,750 million	$ 5,600 million	$ 5,600 million
Maximum Recognized Bid at a Single Rate	$ 8,750 million	$ 5,600 million	$ 5,600 million
NLP Reporting Threshold	$ 8,750 million	$ 5,600 million	$ 5,600 million
NLP Exclusion Amount	$11,300 million	$ 5,900 million	None
Description of Offering:			
Term and type of security	28-day bill	91-day bill	183-day bill
CUSIP number	912795 MT 5	912795 NK 3	912795 NY 3
Auction date	May 28, 2003	May 28, 2003	May 28, 2003
Issue date	May 29, 2003	May 29, 2003	May 29, 2003
Maturity date	June 26, 2003	August 28, 2003	November 28, 2003
Original issue date	December 26, 2002	February 27, 2003	May 29, 2003
Currently outstanding	$43,729 million	$22,643 million	---
Minimum bid amount and multiples	$1,000	$1,000	$1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids: Accepted in full up to $1 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 $100 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 (NLP) for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position equals or exceeds the NLP reporting threshold stated above.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Receipt of Tenders:

4-week bill:

Noncompetitive tenders......Prior to 11:00 a.m. eastern daylight saving time
Competitive tenders.........Prior to 11:30 a.m. eastern daylight saving time

13-week and 26-week bills:

Noncompetitive tenders......Prior to 12:00 noon eastern daylight saving time
Competitive tenders.........Prior to 1:00 p.m. eastern daylight saving time

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
May 28, 2003

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Term:	91-Day Bill
Issue Date:	May 29, 2003
Maturity Date:	August 28, 2003
CUSIP Number:	912795NK3

High Rate: 1.100% Investment Rate 1/: 1.121% Price: 99.722

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 64.65%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 29,808,259	$ 14,105,399
Noncompetitive	1,496,594	1,496,594
FIMA (noncompetitive)	398,100	398,100
SUBTOTAL	31,702,953	16,000,093 2/
Federal Reserve	5,995,455	5,995,455
TOTAL	$ 37,698,408	$ 21,995,548

Median rate 1.085%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 1.065%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 31,702,953 / 16,000,093 = 1.98

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $1,190,587,000

JS 432

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
May 28, 2003

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Term:	183-Day Bill
Issue Date:	May 29, 2003
Maturity Date:	November 28, 2003
CUSIP Number:	912795NY3

High Rate: 1.080% Investment Rate 1/: 1.104% Price: 99.451

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 75.66%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 32,438,964	$ 14,239,839
Noncompetitive	981,479	981,479
FIMA (noncompetitive)	778,700	778,700
SUBTOTAL	34,199,143	16,000,018 2/
Federal Reserve	5,765,442	5,765,442
TOTAL	$ 39,964,585	$ 21,765,460

Median rate 1.075%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 1.060%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 34,199,143 / 16,000,018 = 2.14

1/ Equivalent coupon-issue yield.
2/ Awards to TREASURY DIRECT = $738,310,000

JS-433

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
May 28, 2003

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 4-WEEK BILLS

Term:	28-Day Bill
Issue Date:	May 29, 2003
Maturity Date:	June 26, 2003
CUSIP Number:	912795MT5

High Rate: 1.180% Investment Rate 1/: 1.204% Price: 99.908

All noncompetitive and successful competitive bidders were awarded securities at the high rate. Tenders at the high discount rate were allotted 28.18%. All tenders at lower rates were accepted in full.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 38,675,961	$ 24,951,291
Noncompetitive	49,143	49,143
FIMA (noncompetitive)	0	0
SUBTOTAL	38,725,104	25,000,434
Federal Reserve	3,538,614	3,538,614
TOTAL	$ 42,263,718	$ 28,539,048

Median rate 1.155%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low rate 1.130%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 38,725,104 / 25,000,434 = 1.55

1/ Equivalent coupon-issue yield.

http://www.publicdebt.treas.gov

JS-434

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 28, 2003
JS-435

Here is what economists are saying about the Jobs & Growth Tax Relief Reconciliation Act of 2003:

"The tax cut is good for the economy short run, intermediate run, and long run. The longer term positive consequences of leveling the playing field between the taxation of capital and labor are potentially enormous." **Richard Vedder**, Distinguished Professor of Economics, Ohio University

· "This legislation not only will provide an important boost to the U.S. economy, it moves the tax code toward greater fairness and gives taxpayers more of their own money. The real winners are working families." **Russell Lamb**, North Carolina State University

· "This bill should provide significant help in re-establishing a rate of economic growth consistent with much-needed higher levels of employment. The modest tax relief provided in the bill will provide some help on the supply side of the U.S. economy, and additional cuts in marginal rates on income-producing activities will be even more beneficial in the long run." **John C. Soper, Ph.D., Boler** School of Business, John Carroll University

· "The just passed tax bill is very cost effective. Americans will enjoy a higher standard of living and more job opportunities as a result of the tax package." **Richard W. Rahn**, Senior Fellow, Discovery Institute

· "This dividend and capital gains provisions of this law represent a significant, positive step forward in making our tax system more efficient. By reducing the tax burden on equity financed corporate investment, we will reduce or eliminate a few of the many unhealthy economic distortions created by our complex tax code, and provide an environment that is more supportive of long-run economic growth." **Jeffrey R. Brown**, Department of Finance, University of Illinois at Urbana-Champaign

· "The 2003 Tax Act will benefit all Americans by improving the economy's performance in both the short and long term." **John H. Wicks**, University of Montana

· "The 2003 tax cut, while not as dramatic a reduction in the tax biases against saving as the President originally proposed, is nonetheless a step in the direction of real tax reform. The accelerated rate cuts, the reduced taxes on interest and dividends, and the improved depreciation allowances will boost employment, productivity and wages across the board, and lift GDP in 2003 and 2004. The next key step is to make the tax relief for capital formation permanent." **Stephen J. Entin**, President, Institute for Research on the Economics of Taxation

· "An excellent law that will improve corporate governance, reduce capital market distortions, increase the rewards to work and valuable risk taking. Long term economic growth will be enhanced." **Robert Tamura**, John E. Walker Department of Economics, Clemson University

· "Now is the time to add a fiscal stimulus by speeding up the planned tax cuts through the Jobs and Growth Tax Relief Reconciliation Act of 2003, rather than wait for them to be slowly phased in. Speeding up the tax cut resolves the uncertainty to whether the tax cuts will ever occur and puts much needed additional cash in taxpayer's hands. With a reduced tax rate, we increase the ability of small and medium sized firms to hire more workers." **Richard D. Marcus**, Associate Professor, School of Business Administration, University of Wisconsin - Milwaukee

· "Cutting taxes is not only an important economic stimulus, it is an equally important stimulant for personal liberty." **Paul J. Zak**, Claremont Graduate University

· "Many of President Bush's tax cuts, such as marginal rate reduction and dividend relief, have been in the direction of fundamental reform of the tax system that will generate sustained long-term growth." **Chris Edwards**, Director of Fiscal Policy, Cato Institute

· "This tax relief package will provide a solid boost to small business, the economy and job creation. Critical pro-growth measures -- such as reducing income tax rates, cutting the capital gains tax and expanding expensing levels for small business -- will enhance incentives for investing and entrepreneurship. That's exactly what the economy needs right now." **Raymond J. Keating**, Chief Economist, Small Business Survival Committee

· "The President's tax cut makes two important contributions. First, although the economy already shows significant improvement, the tax cuts clearly speed the recovery. Second, it increases individuals' economic freedom by allowing them to keep a larger fraction of their earnings." **John Rapp**, Professor of Economics, University of Dayton

· "President Bush's balanced tax relief plan will help individuals, families and business owners better spend, save, or invest more of their own earnings in a way that will unlock capital, enhance economic activity, and foster job creation." **Paul G. Merski,** Chief Economist & Director of Federal Tax Policy, Independent Community Bankers of America

· "I strongly support the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Act will increase the after-tax income and cash flow of both consumers and investors, leading to greater job growth through increased consumer spending and capital accumulation." **Craig A. Stephenson**, Ph.D., Babson College

· "The passage of the Jobs and Growth Tax Relief Reconciliation Act of 2003 represents significant tax reform by sharply reducing the double taxation of dividends. In addition, by accelerating previously enacted income tax cuts, the act should provide significant stimulus to economic growth over the next two years. When combined with the original tax cut passed in 2001, the act provides the most significant rollback in tax rates since the Reagan tax cuts." **John Ryding**, Bear Stearns

· "The Bush Administration tax cut increases household disposable income, raises the after-tax returns on equity and provides incentives for business investment. Whether you rely on a demand-driven model of the economy or one that is supply-driven, the economic impact of this package is clear: it will boost growth and create jobs." **Mickey D. Levy**, Chief Economist, Bank of America

· "Cuts in dividend and capital gains taxes will stimulate investment and grow the economy. The nation should be grateful that President Bush has persevered on this issue." **John Semmens**, Phoenix College

· "The combination of the income tax cut and the stimulants for capital investment bode well for economic growth in our country. As people spend and businesses invest, demand for goods and services will increase, ultimately creating jobs for Americans." **Dr. Rebecca A. Thacker**, Ohio University

· "In the short-term, this act will stimulate the economy by providing immediate tax relief for millions of Americans. Over the long-term, it enhances economic growth by encouraging business investment and improves economic efficiency by reducing the taxation of dividends and capital gains." **William Walstad**, Professor of Economics, University of Nebraska-Lincoln Lincoln

· "Timely medicine to strengthen a struggling economy with tax relief for overburdened taxpayers and investment incentives to spur growth and create jobs. And a good step toward long-run tax reform, to boot." **Dr. Michael J. Boskin,** T.M. Friedman Professor of Economics and Hoover Institution Senior Fellow, Stanford University, former Chairman of the President's Council of Economic Advisers

· "The Jobs and Growth Tax Relief Reconciliation Act of 2003 is another positive step forward for taxpayers. Much more work remains to be done, but this legislation marks provides both qualitative and quantitative improvements in our federal tax system." **John Berthoud, Ph.D.**, President, National Taxpayers Union, Adjunct Lecturer, George Washington University

· "I believe the new Jobs and Growth Tax Relief law and continued easy money will do just that; create more jobs and growth, beginning in the last half of this year and through 2004. President Bush and the Congress are to be congratulated on their achievement." **Dr. Beryl Wayne Sprinkel**, President, B.W. Sprinkel Economics.

· "While the economy has been growing, it can and should grow faster. This bill sets the stage for sustained economic growth. It is a down payment on a long-overdue restructuring of our tax code." **Charles Upton,** Department of Economics, Kent State University

· "The President's tax cut, although less than he wanted, will still lead to an improved U.S. stock market and an improved economy. By increasing the incentive to produce goods and services it will lead to greater employment and wealth for all Americans, but will primarily benefit the working class." **Dr. Gary Wolfram**, George Munson Professor of Political Economy, Hillsdale College

· "Cutting tax rates on dividends, on capital gains, and on income earners is not 'trickle-down economics.' It is gush-down economics. Virtually every working American will gain from the new incentives to invest and work." **David R. Henderson**, Research Fellow, Hoover Institution

· "President Bush's Tax Relief plan will help to create the incentives needed to boost the economy's growth rate. The fundamentals of our economy are strong and the economy is poised to grow at a healthy 3 to 4% per year under the leadership of a President who understands that the economy is composed of individuals who want to be productive and to be fairly rewarded for their effort. The improving consumer confidence figures of the last few days bears out the readiness of the economy to respond to this stimulus package now." **Sherry Jarrell**, Asst Professor of Finance and Economics, Wake Forest University

· "The new tax bill is a solid boost to the economy's long-term growth potential, and its effects will start to be felt immediately. At the same time, it's a down-payment on fundamental and much-needed reform of the tax-code." **Donald L. Luskin**, Chief Investment Officer, Trend Macrolytics

· "The President's jobs & growth package is the best elixir for the economy's ills. This package will place money into the hands of consumers than spend, and back into the businesses and corporations that are responsible for hiring workers and investing in new projects and equipment. There's even relief for investors, particularly those that depend on dividend-yielding securities. And rightfully so, as these are the entities that are suffering the most." **Richard Yamarone**, Director of Economic Research, Argus Research Corp.

· "Any tax relief on the double taxation of common stock dividends is more than welcome. Previous double taxation of dividends has favored debt usage by firms over issuing equity. As a result, it has encouraged firms to use more debt than

otherwise, thereby increasing bankruptcy risk among American businesses. Also, double taxation has caused firms to cut back on dividends. More and more firms do not pay any dividends today. As a result, for investors at least, dividends are not useful in valuing many firms. And, many investors must take the risk of making large capital gains on their investments. With less taxation of dividends, risk-averse investors will find that buying common stocks is more attractive than otherwise. Risk-averse investors like dividends, as they are returns paid now rather than hopefully paid later in the form of capital gains. With huge declines in stock prices in recent years, investors are scared of buying stocks. Dividends will reduce investors' fears of stocks, as they can get returns paid out faster than if they had to rely almost entirely on capital gains. With more investors returning to the stock market, stock prices can be expected to be benefit from the greater demand. Thus, this change in tax policy should benefit firms, investors, and economy in general."
James W. Kolari, Chase Professor of Finance, Texas A&M University

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

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May 28, 2003
JS-436

New Lower Tax Withholding Tables Now on Treasury & IRS Web Sites
President's Signature Means More Money in Workers' Paychecks

Today, as the President signed into law the Jobs and Growth Tax Relief Reconciliation Act of 2003, the Treasury Department and the Internal Revenue Service posted the new lower withholding tables on their websites.

"I expect that all employers will move as quickly as possible to make these withholding changes and lower the tax bite out of millions of American workers' paychecks. Workers will begin to see more money in their paychecks in the next few weeks," stated Treasury Secretary John Snow. "And 23 million small businesses owners--who pay taxes at the individual rates--will have more money to invest in their company, buy new equipment, and hire more workers. Putting more money in the hands of taxpayers is exactly the right thing to help give our economy the boost it needs. After all, it's their money to begin with, and they know best how to use it."

The new withholding tables will tell employers and payroll administrators how much less in federal income taxes to withhold from workers' wages. By the end of the week, wage bracket method tables are also expected to be on the IRS website. Printed copies of Publication 15-T, containing all the withholding tables, will be mailed to all employers nationwide by the third week in June.

These withholding changes alone are expected to reduce workers taxes and put $22 billion into the economy this year, and $35 billion next year. Under the Jobs and Growth Act, a family of four making 40,000 dollars will see their taxes reduced by $1,133 in 2003, a reduction of 96%.

Among other things, the Jobs and Growth Tax Relief and Reconciliation Act immediately in 2003:

• expands the 10-percent bracket from $6,000 to $7,000 for single filers and from $12,000 to $14,000 for married taxpayers filing joint returns, meaning the lowest tax rate will apply to a larger portion of workers' incomes;
• lowers the tax rate from 27% to 15% on taxable incomes between $47,450 and $56,800 for married taxpayers filing jointly;
• lowers the 27% rate to 25% on taxable income up to $68,800 for single taxpayers ($114,650 for married taxpayers filing joint returns);
• lowers the 30% rate to 28% on taxable income up to $143,500 for single taxpayers ($174,700 for married taxpayers filing jointly);
• lowers the 35% rate to 33% on taxable income up to $311,950;
• lowers the 38.6% rate to 35% on taxable income over $311,950;
• reduces the marriage penalty by expanding the standard deduction from $7,950 to $9,500 for married individuals; and
• lowers tax rates for millions of small businesses. Twenty-three million small business owners would benefit from the tax act (including all the provisions in the bill).

A copy of the new withholding rates is attached.

Related Documents:

- Withholding Table

Department of the Treasury
Internal Revenue Service

Notice 1036
(Rev. May 2003)

Early Release Copies of New Income Tax Withholding Tables

Attached are early release copies of the new Percentage Method of Withholding tables that will appear in **Publication 15-T,** New Withholding Tables. This publication is scheduled to be mailed to employers by June 18, 2003. The new tables are the result of the Jobs and Growth Tax Relief Reconciliation Act of 2003.

Effective immediately, employers should begin using the revised tables for wages paid through 2004.

Notice 1036 will be revised to include the Wage Bracket Method Income Tax Withholding Tables; Formula Tables for Percentage Method Withholding; Wage Bracket Percentage Method Tables; Combined Income Tax, Employee Social Security Tax, and Employee Medicare Tax Withholding Tables; and Tables for Withholding on Distributions of Indian Gaming Profits to Tribal Members. The revised notice will be posted to **www.irs.gov** on May 30, 2003.

Percentage Method Income Tax Withholding Tables

The wage amounts shown in the tables are net wages after the deduction for total withholding allowances. The withholding allowance amounts by payroll period have changed as shown below.

Payroll Period	One Withholding Allowance
Weekly	$ 59.62
Biweekly	$119.23
Semimonthly	$129.17
Monthly	$258.33
Quarterly	$775.00
Semiannually	$1,550.00
Annually	$3,100.00
Daily or Miscellaneous	$ 11.92

When employers use the percentage method tables, the tax for the pay period may be rounded to the nearest dollar. (If rounding is used, it must be used consistently.) Withheld tax amounts should be rounded to the nearest dollar by dropping amounts under 50 cents and increasing amounts from 50 to 99 cents to the next higher dollar. For example, $2.30 becomes $2 and $2.80 becomes $3.

Notice 1036
(Rev. May 2003)
Cat. No. 21974B

Printed on recycled paper

Tables for Percentage Method of Withholding

(For Wages Paid Through December 2004)

TABLE 1—WEEKLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is: Not over $51 . . . . . The amount of income tax to withhold is: $0

Over—	But not over—		of excess over—
$51	—$187 . .	10%	—$51
$187	—$592 . .	$13.60 plus 15%	—$187
$592	—$1,317 . .	$74.35 plus 25%	—$592
$1,317	—$2,860 . .	$255.60 plus 28%	—$1,317
$2,860	—$6,177 . .	$687.64 plus 33%	—$2,860
$6,177	. . . . . .	$1,782.25 plus 35%	—$6,177

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is: Not over $154 . . . . The amount of income tax to withhold is: $0

Over—	But not over—		of excess over—
$154	—$429 . .	10%	—$154
$429	—$1,245 . .	$27.50 plus 15%	—$429
$1,245	—$2,270 . .	$149.90 plus 25%	—$1,245
$2,270	—$3,568 . .	$406.15 plus 28%	—$2,270
$3,568	—$6,271 . .	$769.59 plus 33%	—$3,568
$6,271	. . . . . .	$1,661.58 plus 35%	—$6,271

TABLE 2—BIWEEKLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is: Not over $102 . . . . The amount of income tax to withhold is: $0

Over—	But not over—		of excess over—
$102	—$373 . .	10%	—$102
$373	—$1,185 . .	$27.10 plus 15%	—$373
$1,185	—$2,635 . .	$148.90 plus 25%	—$1,185
$2,635	—$5,719 . .	$511.40 plus 28%	—$2,635
$5,719	—$12,354 . .	$1,374.92 plus 33%	—$5,719
$12,354	. . . . . .	$3,564.47 plus 35%	—$12,354

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is: Not over $308 . . . . The amount of income tax to withhold is: $0

Over—	But not over—		of excess over—
$308	—$858 . .	10%	—$308
$858	—$2,490 . .	$55.00 plus 15%	—$858
$2,490	—$4,540 . .	$299.80 plus 25%	—$2,490
$4,540	—$7,137 . .	$812.30 plus 28%	—$4,540
$7,137	—$12,542 . .	$1,539.46 plus 33%	—$7,137
$12,542	. . . . . .	$3,323.11 plus 35%	—$12,542

TABLE 3—SEMIMONTHLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is: Not over $110 . . . . The amount of income tax to withhold is: $0

Over—	But not over—		of excess over—
$110	—$404 . .	10%	—$110
$404	—$1,283 . .	$29.40 plus 15%	—$404
$1,283	—$2,854 . .	$161.25 plus 25%	—$1,283
$2,854	—$6,196 . .	$554.00 plus 28%	—$2,854
$6,196	—$13,383 . .	$1,489.76 plus 33%	—$6,196
$13,383	. . . . . .	$3,861.47 plus 35%	—$13,383

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is: Not over $333 . . . . The amount of income tax to withhold is: $0

Over—	But not over—		of excess over—
$333	—$929 . .	10%	—$333
$929	—$2,698 . .	$59.60 plus 15%	—$929
$2,698	—$4,919 . .	$324.95 plus 25%	—$2,698
$4,919	—$7,731 . .	$880.20 plus 28%	—$4,919
$7,731	—$13,588 . .	$1,667.56 plus 33%	—$7,731
$13,588	. . . . . .	$3,600.37 plus 35%	—$13,588

TABLE 4—MONTHLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is: Not over $221 . . . . The amount of income tax to withhold is: $0

Over—	But not over—		of excess over—
$221	—$808 . .	10%	—$221
$808	—$2,567 . .	$58.70 plus 15%	—$808
$2,567	—$5,708 . .	$322.55 plus 25%	—$2,567
$5,708	—$12,392 . .	$1,107.80 plus 28%	—$5,708
$12,392	—$26,767 . .	$2,979.32 plus 33%	—$12,392
$26,767	. . . . . .	$7,723.07 plus 35%	—$26,767

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is: Not over $667 . . . . The amount of income tax to withhold is: $0

Over—	But not over—		of excess over—
$667	—$1,858 . .	10%	—$667
$1,858	—$5,396 . .	$119.10 plus 15%	—$1,858
$5,396	—$9,838 . .	$649.80 plus 25%	—$5,396
$9,838	—$15,463 . .	$1,760.30 plus 28%	—$9,838
$15,463	—$27,175 . .	$3,335.30 plus 33%	—$15,463
$27,175	. . . . . .	$7,200.26 plus 35%	—$27,175

Tables for Percentage Method of Withholding (Continued)

(For Wages Paid Through December 2004)

TABLE 5—QUARTERLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is: Not over $663 . . . . The amount of income tax to withhold is: $0

Over—	But not over—		of excess over—
$663	—$2,425 . .	10%	—$663
$2,425	—$7,700 . .	$176.20 plus 15%	—$2,425
$7,700	—$17,125 . .	$967.45 plus 25%	—$7,700
$17,125	—$37,175 . .	$3,323.70 plus 28%	—$17,125
$37,175	—$80,300 . .	$8,937.70 plus 33%	—$37,175
$80,300	. . . . . .	$23,168.95 plus 35%	—$80,300

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is: Not over $2,000 . . . . The amount of income tax to withhold is: $0

Over—	But not over—		of excess over—
$2,000	—$5,575. .	10%	—$2,000
$5,575	—$16,188. .	$357.50 plus 15%	—$5,575
$16,188	—$29,513. .	$1,949.45 plus 25%	—$16,188
$29,513	—$46,388. .	$5,280.70 plus 28%	—$29,513
$46,388	—$81,525. .	$10,005.70 plus 33%	—$46,388
$81,525	. . . . . .	$21,600.91 plus 35%	—$81,525

TABLE 6—SEMIANNUAL Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is: Not over $1,325 . . . . The amount of income tax to withhold is: $0

Over—	But not over—		of excess over—
$1,325	—$4,850 . .	10%	—$1,325
$4,850	—$15,400 . .	$352.50 plus 15%	—$4,850
$15,400	—$34,250 . .	$1,935.00 plus 25%	—$15,400
$34,250	—$74,350 . .	$6,647.50 plus 28%	—$34,250
$74,350	—$160,600 . .	$17,875.50 plus 33%	—$74,350
$160,600	. . . . . .	$46,338.00 plus 35%	—$160,600

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is: Not over $4,000 . . . . The amount of income tax to withhold is: $0

Over—	But not over—		of excess over—
$4,000	—$11,150. .	10%	—$4,000
$11,150	—$32,375. .	$715.00 plus 15%	—$11,150
$32,375	—$59,025. .	$3,898.75 plus 25%	—$32,375
$59,025	—$92,775. .	$10,561.25 plus 28%	—$59,025
$92,775	—$163,050. .	$20,011.25 plus 33%	—$92,775
$163,050	. . . . . .	$43,202.00 plus 35%	—$163,050

TABLE 7—ANNUAL Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is: Not over $2,650 . . . . The amount of income tax to withhold is: $0

Over—	But not over—		of excess over—
$2,650	—$9,700 . .	10%	—$2,650
$9,700	—$30,800 . .	$705.00 plus 15%	—$9,700
$30,800	—$68,500 . .	$3,870.00 plus 25%	—$30,800
$68,500	—$148,700 . .	$13,295.00 plus 28%	—$68,500
$148,700	—$321,200 . .	$35,751.00 plus 33%	—$148,700
$321,200	. . . . . .	$92,676.00 plus 35%	—$321,200

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is: Not over $8,000 . . . . The amount of income tax to withhold is: $0

Over—	But not over—		of excess over—
$8,000	—$22,300. .	10%	—$8,000
$22,300	—$64,750. .	$1,430.00 plus 15%	—$22,300
$64,750	—$118,050. .	$7,797.50 plus 25%	—$64,750
$118,050	—$185,550. .	$21,122.50 plus 28%	—$118,050
$185,550	—$326,100. .	$40,022.50 plus 33%	—$185,550
$326,100	. . . . . .	$86,404.00 plus 35%	—$326,100

TABLE 8—DAILY or MISCELLANEOUS Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) divided by the number of days in the payroll period is: Not over $10.20 . . . . The amount of income tax to withhold per day is: $0

Over—	But not over—		of excess over—
$10.20	—$37.30 . .	10%	—$10.20
$37.30	—$118.50 . .	$2.71 plus 15%	—$37.30
$118.50	—$263.50 . .	$14.89 plus 25%	—$118.50
$263.50	—$571.90 . .	$51.14 plus 28%	—$263.50
$571.90	—$1,235.40 . .	$137.49 plus 33%	—$571.90
$1,235.40	. . . . . .	$356.45 plus 35%	— $1,235.40

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) divided by the number of days in the payroll period is: Not over $30.80 . . . . The amount of income tax to withhold per day is: $0

Over—	But not over—		of excess over—
$30.80	—$85.80. .	10%	—$30.80
$85.80	—$249.00. .	$5.50 plus 15%	—$85.80
$249.00	—$454.00. .	$29.98 plus 25%	—$249.00
$454.00	—$713.70. .	$81.23 plus 28%	—$454.00
$713.70	—$1,254.20. .	$153.95 plus 33%	—$713.70
$1,254.20	. . . . . .	$332.32 plus 35%	— $1,254.20

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 29, 2003
JS-437

Remarks of
Wayne A. Abernathy
Assistant Secretary of the Treasury for Financial Institutions
To the
Conference of State Bank Supervisors
2003 Annual Meeting and Conference
Ashville, North Carolina
A Financial System that Best Serves the Needs of Consumers

Thank you for this opportunity to speak to you today. Ashville is such a lovely setting.

Just last year we had an important Abernathy family celebration. We commemorated the 350th anniversary of the arrival of the first Abernathy in this free land of America. Robert Abernethy had come from Scotland, where he was not so free. He landed in Jamestown, courtesy of Oliver Cromwell and the English Parliament, as a prisoner of war. Robert had been given a choice: Virginia or the Tower of London. He chose Virginia—and I am glad that he did. Afterward, several generations of Abernathies made Tidewater Virginia their home. By the time of the Revolution, many Abernathies and a lot of other Scots had migrated to the hills of North Carolina. Not far from this place, just over the ridge to the east, especially in Catawba, Burke, Lincoln, and Cleveland Counties, Abernathy is a rather common name. My father used to tell me that Grandpa was the first Abernathy to come down out of the hills. And when you come to a setting such as this, you don't wonder why people were so reluctant to leave.

North Carolina is a fitting location for a meeting of the Conference of State Bank Supervisors. I think perhaps as much as any State, North Carolina exemplifies the benefits of our nation's dual banking system. Here you find very big banks—and we can all name them. And here you find some small banks, that maybe few of us can name. But they are strong banks, and they operate and compete side by side.

By the end of last year, there were 110 banks headquartered in North Carolina. Two had assets of more than $300 billion each. Seventy-six banks had assets of less than $300 million each. Yet all are committed to helping families named Abernathy and all the other many family names from all of the other places, to buy their homes, pay their bills, send John and Sarah to college, save for retirement, build a business, and meet the thousands of other services for which we rely upon banks. These banks grow, expand, and prosper, as they help these families and their communities grow, expand, and prosper. There is no other way. Which is one of the things that has always puzzled me about the Community Reinvestment Act: it seems to be telling banks to do what they already do best, build their communities.

Our dual bank system is strong, because it is the best system for meeting the needs of our communities and our families. I know of no nation in the world that has anything quite like this system, our great dual banking system. It is nothing we planned. It is one of those marvelous fruits of the genius of our founding fathers, of this wonderful federal system of government that is our American Republic. You won't find the dual banking system detailed anywhere in the Constitution. It is rather the organic outgrowth of the interplay of two important provisions of the

Constitution: Article II, Section 8, that gives to Congress authority to set national standards for national commerce; and the Tenth Amendment, that preserves for the States powers not reserved for the Federal Government.

There has been a tug of war between the Federal and State governments for more than 200 years since, and banking has often been the rope. And the rope has sometimes been pulled one way and sometimes the other. From time to time, one side has nearly pulled the other all the way over.

Outside of my window at the Treasury Department is a bronze statute of the first Secretary of the Treasury, Alexander Hamilton. He can perhaps be called the father of the First Bank of the United States. His idea was to bring under one standard what was then a variety of banking products, currency in particular. And his vision succeeded for a time. Then the rope was pulled the other way, the Bank's charter lapsed, and a brief experiment in national banking ended, for a time.

Outside of the door to the office of the General Counsel of the Treasury is an imposing painting. It is nearly life size. Standing there, arms crossed, with brooding eyes that follow you wherever you go, is the image of Salmon P. Chase, Abraham Lincoln's first Secretary of the Treasury. Secretary Chase left an impressive record of institution building. Three of his institutions are with us today: the Internal Revenue Service, the Bureau of Engraving and Printing, and the National Bank System. Secretary Chase had a big job. He had to fund the biggest war the United States has ever fought, and he had to fund it with half the nation in rebellion—and it wasn't rebellion against the Internal Revenue Service—though I suppose that the IRS was used to get the southern States after the war to help pay off the bonds used to finance their defeat.

To market those bonds, Secretary Chase proposed a system of national banks. But the Secretary was creative. Not only would the national banks market the bonds, but they would also issue a uniform national currency backed by those bonds. A network of national banks sprang up almost over night, and the dual banking system has been with us ever since.

But as the rope pulled that way, it almost pulled too far. Concerned that Federal bank notes had not replaced the bank notes of State banks—that a single national currency had not yet been achieved—the Congress imposed a 10% tax on all bank notes other than those issued by national banks. That did it. State bank notes disappeared, but so did State-chartered banks, or very nearly. In 1863, the year of enactment of the National Bank Act, there were just under 1,500 State-chartered banks. In 1865, with the taxation of State bank notes, there were less than 350 State banks, while there were just shy of 1,300 national banks. Consumers benefited from a uniform currency, portable to all parts of the nation. But the dual banking system was going, going, but not quite gone.

What remained was the ability of States to experiment and bankers to innovate. Unable to compete with national bank notes, State banks gave new vigor to what has become a commonplace of everyday financial life, personal checks. And a broad system of business and consumer checking gave new life to the dual banking system, national and State banks. By 1890, there were 3,484 national banks, and 2,250 State-chartered banks. And the revitalization continued. By 1913, there were over 24,000 banks in the United States, and two-thirds of them had State charters.

From this tug of war, new and better products and services are developed for families and businesses. I could point to many other innovations made possible by our dual banking system, our system of real life laboratories, competing for how best to serve their customers. Interest on checking accounts, adjustable rate mortgages, and nation-wide branch banking are just a token of the innovations that have occurred in recent years. Each of you can think of others.

I hope that this tug of war never ends. By that I mean, I hope that neither the Federal nor State governments gain the upper hand. This makes undoubtedly for an inefficient system of government, but I don't think that the founding fathers had efficient government as a goal when they divided authority between a Federal government and the States, and further divided Federal authority among three separate branches, and split the Congress into two separate and very different Houses. No, that was not very efficient government, but it has proven a very efficient means of preserving individual liberty, and I suspect that this was the outcome that the architects of the Constitution had in mind. It is that liberty, that liberty to create, to experiment, to innovate, that has placed this country in the forefront of so many things that better the lives of our citizens, financial services being high on the list.

With a government of the people, by the people, and for the people, government must add to the quality of our lives for it to be tolerated. Our dual banking system is a powerful governor for ensuring that bank regulation meets the needs of our people, that it adds to the vitality and versatility and creativity of our economy.

Let us take a look at "predatory lending" as a case in point. And, by the way, let me digress just a moment. Among all the attention that has been paid to predatory lending, I am eager for attention to be turned as well to predatory borrowing. I have in mind the person who in a calculated way borrows as much money as he can, with little thought of paying it back or, in some cases, with a premeditated intention of not paying it back—the person who takes advantage of all of the statutes created to protect the truly unfortunate, who perhaps even plans to take advantage of generous bankruptcy homestead protections, who amasses as much debt from other people's money, and then declares bankruptcy as the final stage in a predatory borrowing plan. Hopefully, Congress will succeed this year in adopting the long forestalled bankruptcy reform legislation that will get at some of these predatory borrowers. I hope that will happen, and soon. It has been delayed too long.

Is the predatory borrower rare? I hope so. I suspect that he is as rare as the predatory lender. And we need to act against both.

Now with regard to the dual banking system and predatory lending, I need to take care whenever I discuss the subject of predatory lending. All of us may not be in agreement on what we mean by it. I think that it is something like aggressive driving. It reminds me of aggressive driving. We are all familiar with the campaigns against aggressive driving. I'm sure that we support those campaigns, because we have all likely been witnesses to aggressive driving. You all know what I mean when I am talking about aggressive driving. It's not really a new crime in and of itself. It is a label attached to a group of unsafe driving practices, each illegal in and of itself: speeding, tailgating, illegal lane changes, and the like. There is a law against each of these practices. By and large what was new about aggressive driving was the law enforcement effort focused on curbing these practices. Penalties were increased, law enforcement officials were put on the look out, the population in general was sensitized. And a lot of progress was made against the problem.

I think that predatory lending may be much like aggressive driving. In my previous job I worked on Capitol Hill, for the Senate Banking Committee. In an effort to come to grips with concerns raised about predatory lending, we asked each of the banking regulators to give us a definition of it and share with us their statistics on how prevalent the practice was. At the time—and this was a few years ago—not a single banking regulator could give us a definition of predatory lending. It was no surprise, then, that neither could they give us statistics on its prevalence. If you can't define it, you can't measure it. They could offer us anecdotes, examples of what they termed predatory lending.

These included practices such as fraudulent loan terms, changing conditions without the knowing consent of the customer, offering loans to people who had no real possibility of meeting loan payments, hidden fees, and so forth. Each of these is already a violation of banking laws and regulations.

So, if like aggressive driving, predatory lending signifies an increased focus on enforcing the existing laws against these practices, then I am sure that all but the predators would be in favor of that enforcement effort. Much to my dismay, however, so many anti-predatory lending proposals are more focused on products than they are on practices. And there I fear the effort goes astray, far astray.

Over the last several years, State and national banks have made enormous strides in expanding the reach of their services. Millions of people are new customers of mainstream financial institutions. These are people who used to be on the outside, looking in, people on the periphery, customers of the more informal providers of financial services. Now they have a mortgage, a checking account, a savings account, an IRA, a credit card, and many other banking services. I don't want to do anything that takes us back. I don't want to do anything that slows down our progress. We need to facilitate the outreach and innovation that best meets the needs of consumers, all consumers.

But so many of the anti-predatory lending proposals would undermine that progress. They cut people off. They put financial services out of reach, because they focus on products rather than on bad practices. I am not willing to sign up for a program that says that subprime lending, for example, is bad. Bad subprime lending, badly underwritten, or fraudulently offered, is bad. But a good loan is a good loan, be it prime or subprime. The same is true for other financial products.

Let's take a look at another example, loans with balloon payments. These products make it onto the lists of predatory lending proposals; balloon payments can be found on the prohibited lists. Are balloon payments evil products, or do bad actors put them to bad service?

Consider the young family, just starting out, John and Sarah Jones. Both John and Sarah have nice, early career jobs with bright prospects. They have worked hard and saved even harder. They have accumulated their nest egg for what they dreamed of in those dreamy days before they were married: a house of their own. They nourished that dream with every dollar they put away for building a down payment. Now they have the down payment. But now they also have a problem. Actually, it shouldn't be a problem. John and Sarah don't see it as a problem. They are delighted. They are expecting their first child. They would like to bring the baby home, to their own home. Sarah wants to stay home with the baby, at least for a while. But that means that their double income will soon reduce to a single income, at least for a while.

An innovative industry will say, "We have just the loan product for you. It has what is called a balloon payment. Under this loan, you pay a reduced monthly payment for the first five years, and then you pay a higher monthly payment afterwards. In essence, for the first five years you are deferring part of the payments until later." This works perfectly for the Jones family. They get into their house today, with payments that they can afford while they are a one-income family, with later higher payments that they can afford when Sarah returns to work or maybe when John is making much more than he does now.

But wait! Not so fast! Under some proposals, that loan would be labeled predatory lending. Maybe John and Sarah think that this product is tailor-made for them. But balloon payment loans are on some financial regulatory proscriptions. Some would say to John and Sarah, "No, you can't go there. Too dangerous. You just keep renting for a while, and then after a few more years, maybe then you can buy your own house."

That is the kind of answer we get when we focus our attention on banning products rather than bad practices. Keeping John and Sarah out of a house of their own is unlikely to add quality to the lives of this family. It would be an intolerable regulatory restriction on their choices.

But the dual banking system says to John and Sarah that they do not have to live with that answer. While some communities, in perhaps an exercise more of good intentions than wisdom, are banning products that bring people into the financial mainstream, the national bank regulator, the Comptroller of the Currency, is turning a bright focus on bad practices while preserving innovation in products. Where a local law might keep John and Sarah in their apartment for several more years, national banks might offer a product that fits their family needs today.

Now, I want to be clear. Any financial product can be abused. Balloon payment loans have been instruments of abuse. But it was the way that the balloon payment was used that was abusive. It need not be used that way. Properly disclosed and understood, such a loan can be a useful product for consumers.

I also want to be clear on what I am praising. It is the dual banking system. It is the system that says that the right answer is in a national bank one day, in a State-chartered bank the next. And the right answer is what best serves the needs of America's consumers. Today, it may be the focus of the Comptroller on bad practices rather than on banning products. Yesterday, it was the State bank that offered an adjustable rate mortgage, or paid interest on a checking account. What and where will it be tomorrow? I don't know. But I am glad that America has a strong dual banking system to let it happen. And in exercising their freedom, American consumers will find it.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 29, 2003
JS-438

MEDIA ADVISORY
U.S. Treasury to Designate Al-Aqsa International Foundation As Financier of Terror
Charity Linked to Funding of the Hamas terrorist organization

This afternoon, the Treasury Department will announce the designation of the Al-Aqsa Foundation as a Specially Designated Global Terrorist (SDGT) entity under Executive Order 13224. The designation by Treasury's Office of Foreign Assets Control (OFAC) requires that all assets of the Al-Aqsa Foundation be blocked and transactions with the organization prohibited. More details to follow in a separate release.

Juan Zarate, Deputy Assistant Secretary of the Treasury for Terrorist Financing and Financial Crimes and Director of Treasury's Executive Office for Terrorist Financing and Financial Crimes and Richard Newcomb, Director of the Office of Foreign Assets Control (OFAC) will provide a pen and pad briefing this afternoon at 2:00 PM.

WHAT: Briefing on the Designation of the Al-Aqsa Foundation
WHEN: 2:00 PM
WHERE: Room 4312, Main Treasury Building
PARTICIPANTS: Juan Zarate, DAS Terrorist Financing and Financial Crimes
Richard Newcomb, Director of OFAC
COVERAGE: Pen and Pad Only

Media without Treasury or White House press credentials planning to attend should contact Frances Anderson at Treasury's Office of Public Affairs at (202) 622-2960 or e-mail frances.anderson@do.treas.gov as soon as possible with the following information: name, social security number and date of birth. This information may also be faxed to (202) 622-1999.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

May 29, 2003
JS-439

Treasury Designates Al-Aqsa International Foundation as Financier of Terror Charity Linked to Funding of the Hamas Terrorist Organization

WASHINGTON, DC – The U.S. Treasury Department has designated the Al-Aqsa Foundation as a Specially Designated Global Terrorist (SDGT) entity under Executive Order 13224. As a result of this designation by Treasury's Office of Foreign Assets Control (OFAC), all assets of the Al-Aqsa Foundation are blocked and transactions with the organization are prohibited.

"By designating the Al-Aqsa Foundation, we have deprived the Hamas terrorist organization of a vital source of funding and have shut off yet another pipeline of money financing terror. Today's action demonstrates our commitment to prevent the perversion of charitable organizations for terrorist ends," Secretary Snow stated.

Al Aqsa is a critical part of Hamas' terrorist support infrastructure. Through its headquarters in Germany and branch offices in the Netherlands, Denmark, Belgium, Sweden, Pakistan, South Africa, Yemen and elsewhere, Al Aqsa funnels money collected for charitable purposes to Hamas terrorists.

Other nations, including the Netherlands, Germany, Denmark, Britain, Luxembourg and Switzerland, have also taken action against the Al-Aqsa Foundation.

The Al Aqsa Foundation is the 18th financier of terror disguised as a charitable organization designated by the Treasury Department. With today's action, there are now 264 individuals and entities designated as SDGTs and over $137 million in their assets frozen worldwide.

Further details on the Al-Aqsa Foundation are attached.

Background: AL-AQSA FOUNDATION

AKAs: Al-Aqsa International Foundation, Al-Aqsa Charitable Foundation, Sanabil al-Aqsa Charitable Foundation, Al-Aqsa Sinabil Establishment, Al-Aqsa Charitable Organization, Charitable Al-Aqsa Establishment, Mu'assa al-Aqsa al-Khayriyya, Mu'assa Sanabil Al-Aqsa al- Khayriyya, Aqssa Society, Al-Aqsa Islamic Charitable Society, Islamic Charitable Society for al-Aqsa, Charitable Society to Help the Noble al-Aqsa, Nusrat al-Aqsa al-Sharif

The AL-AQSA FOUNDATION is a critical part of Hamas' transnational terrorist support infrastructure. Hamas is designated by the Secretary of State as a Foreign Terrorist Organization (66 Fed. Reg. 51088) and as Specially Designated Global Terrorist (SDGT) under Executive Order 13224, "Blocking Property and Prohibiting Transactions with Persons Who commit, Threaten to Commit, or Support Terrorism." Hamas is known to raise at least tens of millions of dollars per year throughout the world using charitable fundraising as cover.

The AL-AQSA FOUNDATION, until recently headquartered in Germany, uses humanitarian relief as cover to provide support to the Hamas terrorist organization. Mahmoud Amr, the Director of the AL-AQSA FOUNDATION in Germany, is an active figure in Hamas. The AL-AQSA FOUNDATION also is known to maintain branch offices in The Netherlands, Denmark, Belgium, Sweden, Pakistan, South Africa, Yemen and elsewhere. AL-AQSA FOUNDATION offices are included in lists of organizations that contributed to the Hamas-affiliated Charity Coalition in 2001 and 2002.

Since the summer of 2002, authorities in The Netherlands, Denmark, Germany and the U.S. have taken administrative and/or law enforcement action against the AL-AQSA FOUNDATION and some of its leaders based on evidence of the organization's support for Hamas and other terrorist groups. Pursuant to a July 31, 2002 administrative order, German authorities closed the AL-AQSA FOUNDATION in Germany for supporting Hamas. In April 2003, Dutch authorities blocked AL-AQSA FOUNDATION assets in The Netherlands based on information that funds were provided to organizations supporting terrorism in the Middle East.

Criminal charges against some AL-AQSA FOUNDATION officials were also filed. On January 1, 2003, the Danish government charged three AL-AQSA FOUNDATION officials in Denmark for supporting terrorism. Also, the head of the Yemeni branch of the AL-AQSA FOUNDATION, Shaykh Muhammad Ali Hassan AL-MUAYAD, was arrested for providing support to terrorist organizations including Al-Qaeda and Hamas in January 2003 by German authorities.

In Scandinavia, the Oslo, Norway-based Islamic League used the AL-AQSA FOUNDATION in Sweden to channel funds from some members of the Islamic community in Oslo, Norway to Hamas.
In late 2001 for example, a human courier was used to transfer funds from the Islamic League in Norway to the AL- AQSA FOUNDATION in Sweden. In another instance in 2002, money, gold and jewelry were collected by the Islamic League (in Oslo, Norway) and transferred to the AL-AQSA FOUNDATION in Sweden to be provided to Hamas.

At the Islamic League of Norway's annual conference held on May 18 and 19, 2002, the General Secretary of the Islamic League in Sweden urged all Muslims to provide support and to participate in continuing the suicide operations against Israel. He called for further financial support from all conference participants to the AL-AQSA FOUNDATION in Sweden, noting that this financial support could contribute to the destruction of Israel.

Strong ties have existed between the Hamas and AL-AQSA FOUNDATION offices in Yemen. Officials of the organizations met frequently and the AL-AQSA FOUNDATION was identified as a "Hamas-affiliate." As discussed in a previously unsealed FBI Affidavit, AL-MUAYAD, the head of the AL-AQSA FOUNDATION in Yemen, has allegedly provided money, arms, recruits and communication equipment for Al-Qaeda. At least until AL-MUAYAD's arrest, Ali Muqbil, the General Manager of the AL-AQSA FOUNDATION in Yemen and a Hamas official, transferred funds on AL-MUAYAD's orders to Hamas, PIJ or other Palestinian organizations assisting "Palestinian fighters." The disbursements were recorded as contributions for charitable projects. Through channels such as this, AL-MUAYAD reportedly provided more than U.S. $3 million to the "Palestinian cause".

HEAD OFFICE:
Aachen, Germany

BRANCH OFFICES:
Rotterdam, Holland
Copenhagen, Denmark
Brussels, Belgium
San'a, Yemen
Malmo, Sweden
Johannesburg, South Africa
Islamabad, Pakistan

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.
May 29, 2003

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 $36,000 million to refund an estimated $31,566 million of publicly held 13-week and 26-week Treasury bills maturing June 5, 2003, and to raise new cash of approximately $4,434 million. Also maturing is an estimated $24,000 million of 2-day Treasury cash management bills to be issued June 3, 2003, and an estimated $6,000 million of publicly held 4-week Treasury bills, the disposition of which will be announced June 2, 2003.

The Federal Reserve System holds $15,145 million of the Treasury bills maturing on June 5, 2003, 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 June 3, 2003. 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 $100 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 $1,075 million into the 13-week bill and $774 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

JS 440

HIGHLIGHTS OF TREASURY OFFERINGS OF BILLS
TO BE ISSUED JUNE 5, 2003

May 29, 2003

Offering Amount	$18,000 million	$18,000 million
Maximum Award (35% of Offering Amount)	$ 6,300 million	$ 6,300 million
Maximum Recognized Bid at a Single Rate	$ 6,300 million	$ 6,300 million
NLP Reporting Threshold	$ 6,300 million	$ 6,300 million
NLP Exclusion Amount	$ 5,500 million	None

Description of Offering:

Term and type of security	91-day bill	182-day bill
CUSIP number	912795 NL 1	912795 NZ 0
Auction date	June 2, 2003	June 2, 2003
Issue date	June 5, 2003	June 5, 2003
Maturity date	September 4, 2003	December 4, 2003
Original issue date	March 6, 2003	June 5, 2003
Currently outstanding	$21,339 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 $100 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 (NLP) for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position equals or exceeds the NLP reporting threshold stated above.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

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
May 29, 2003

CONTACT: Office of Financing
202/691-3550

TREASURY OFFERS CASH MANAGEMENT BILLS

The Treasury will auction approximately $24,000 million of 2-day Treasury cash management bills to be issued June 3, 2003.

Tenders for Treasury cash management bills to be held on the book-entry records of *TreasuryDirect* will not be accepted.

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 $100 million per account and will be accepted in the order of smallest to largest, up to the aggregate award limit of $1,000 million.

Note: The closing times for receipt of noncompetitive and competitive tenders will be at 11:00 a.m. and 11:30 a.m. eastern daylight saving time, respectively.

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%.

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

JS 441

HIGHLIGHTS OF TREASURY OFFERING
OF 2-DAY CASH MANAGEMENT BILLS

May 29, 2003

Offering Amount	$24,000 million
Maximum Award (35% of Offering Amount) ..	$ 8,400 million
Maximum Recognized Bid at a Single Rate .	$ 8,400 million
NLP Reporting Threshold	$ 8,400 million
NLP Exclusion Amount	$13,200 million

Description of Offering:

Term and type of security	2-day Cash Management Bill
CUSIP number	912795 MQ 1
Auction date	June 2, 2003
Issue date	June 3, 2003
Maturity date	June 5, 2003
Original issue date	December 5, 2002
Currently outstanding	$52,711 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 $100 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 (NLP) for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position equals or exceeds the NLP reporting threshold stated above.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Receipt of Tenders:

Noncompetitive tenders:
Prior to 11:00 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.

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
May 29, 2003

CONTACT: Office of Financing
202-691-3550

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Interest Rate:	1 1/4%	Issue Date:	June 02, 2003
Series:	L-2005	Dated Date:	May 31, 2003
CUSIP No:	912828BB5	Maturity Date:	May 31, 2005

High Yield: 1.305% Price: 99.892

All noncompetitive and successful competitive bidders were awarded securities at the high yield. Tenders at the high yield were allotted 84.45%. All tenders at lower yields were accepted in full.

Accrued interest of $ 0.06831 per $1,000 must be paid for the period from May 31, 2003 to June 02, 2003.

AMOUNTS TENDERED AND ACCEPTED (in thousands)

Tender Type	Tendered	Accepted
Competitive	$ 43,427,010	$ 24,074,363
Noncompetitive	885,701	885,701
FIMA (noncompetitive)	40,000	40,000
SUBTOTAL	44,352,711	25,000,064 1/
Federal Reserve	6,020,233	6,020,233
TOTAL	$ 50,372,944	$ 31,020,297

Median yield 1.274%: 50% of the amount of accepted competitive tenders was tendered at or below that rate. Low yield 1.235%: 5% of the amount of accepted competitive tenders was tendered at or below that rate.

Bid-to-Cover Ratio = 44,352,711 / 25,000,064 = 1.77

1/ Awards to TREASURY DIRECT = $715,657,000

http://www.publicdebt.treas.gov

JS 442

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

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To view or print the Microsoft Word content on this page, download the free Microsoft Word Viewer.

May 29, 2003
JS-443

Emergency Grant helps Maine Launch Treasury and IRS Health Care Tax Credit Pilot Program

Today Treasury Secretary John Snow announced that Maine will partner with the federal government in launching the first advance health coverage tax credit pilot program to help cover the cost of health insurance premiums for many Maine residents.

The Trade Adjustment Assistance Act President Bush signed into law last year includes the new Health Coverage Tax Credit (HCTC). This program provides an advanced payment of 65% of the premium cost for a qualified health plan for individuals who are eligible to receive Trade Adjustment Assistance (TAA) benefits or certain individuals who receive pension benefit payments from the Pension Benefit Guaranty Corporation (PBGC). Approximately 2,800 workers and their families in Maine are estimated to qualify for the program.

The Maine pilot program will allow eligible individuals to register immediately for the advance HCTC program, which will otherwise start August 1, 2003 for the rest of the country.

"Maine's pressing needs and can-do spirit make it the logical choice for the first in the nation advance health coverage tax credit pilot program. Today, we will help people in Maine who have been hurting pay for health insurance," stated Treasury Secretary John Snow. "I know many residents in Maine and across America have been hard hit by the economic downturn that dates back to 2000. Our recovery is not as robust as it needs to be. That's why the President is acting to get the economy going again with his Jobs and Growth plan, and to address the health insurance needs in Maine in this new and innovative way."

Maine residents that are eligible for the pilot program will receive a HCTC notification letter in the mail and an HCTC Program Kit. The Program Kit provides all the necessary information to determine eligibility and the form to register.

The HCTC advance payment program will be available in other states beginning August 1, 2003. For more information on a particular state and the health insurance programs that qualify, please visit the HCTC website at www.irs.gov and enter IRS Keyword: HCTC.

Attached is a copy of the HCTC letter and the HCTC Program Kit that is being sent to the Maine residents that may be eligible for the pilot program.

Related Documents:

- Maine NEG Press Release Dol
- Letter
- Program Kit
- Registration Form

News Release

U.S. Department of Labor
Office of Public Affairs
Washington, D.C.
USDL [03-274]

For Immediate Release
Date: May 29, 2003
Contact: Elissa Pruett
Phone: (202) 693-4676

New Labor Grant To Maine Will Help Trade-Impacted Workers Pay For Health Insurance

Secretary of Labor Elaine L. Chao Announces Over $9.3 Million Grant To Help Workers Pay Health Insurance Premiums

WASHINGTON— U.S. Secretary of Labor Elaine L. Chao today announced a National Emergency Grant of over $9.3 million that will pay 65 percent of qualified health insurance premiums for an estimated 2,800 Maine workers eligible for assistance under the Trade Adjustment Reform Act of 2002 and certain individuals who receive pension benefit payments from the Pension Benefit Guaranty Corporation (PBGC).

President Bush signed the Health Coverage Tax Credit (HCTC) program into law last year as part of the Trade Adjustment Assistance Act. The Department of Labor grant allows the State of Maine to immediately fund the costs of the program, ensuring that eligible Maine workers and their families have the help they need to pay their health insurance premiums. The grant provides health insurance premium assistance to recipients until the advance tax credit is operating in August 2003. The HCTC program is under the jurisdiction of the Internal Revenue Service.

"The President and I are committed to helping displaced workers access the help they need to support and care for their families. We realize that nothing is more important to the people of Maine than the health of their loved ones. That is why we made it a priority to work with Senator Snowe and Senator Collins to ensure these funds are directed to Maine as soon as possible," Chao said. "We hope they will be deployed as quickly as possible to help these Maine workers pay their health insurance premiums and bring them some peace of mind."

Under a special pilot program with the State of Maine, the Internal Revenue Service will ensure Maine residents eligible for the pilot program receive a HCTC notification letter in the mail and an HCTC Program Kit. The Program Kit provides all the necessary information to determine eligibility and the form to register.

"Helping American workers who have lost their jobs remains a top priority for this Administration," said Chao.

For more information on a particular state and the health insurance programs that qualify, please visit the HCTC website at www.irs.gov and enter IRS Keyword: HCTC. For more information on the Department of Labor's assistance for trade impacted workers please go to www.dol.gov.

###

HCTC | Health Coverage Tax Credit
Federal • State • Private Industry

Starting in July, the new Health Coverage Tax Credit (HCTC) could pay 65% of the eligible premium you pay for a qualified health plan. This federal tax credit was passed by Congress and signed into law by President George W. Bush on August 6, 2002.

Am I Eligible?

We believe you may be eligible because you receive either Trade Adjustment Assistance (TAA) benefits or pension benefit payments from the Pension Benefit Guaranty Corporation (PBGC). In addition, you must meet certain requirements to be eligible to receive the HCTC. One of these requirements is that you be enrolled in a qualified health plan. Only certain types of health plans qualify for the HCTC. You should review page 6 of the enclosed Program Kit to determine if your current health plan is qualified. **Currently, the HCTC state-qualified health plan for Maine is Anthem Blue Cross and Blue Shield of Maine.** Questions regarding enrollment in this plan should be directed to Tanya Plante at the State of Maine Employee Health and Benefits Department (1-800-422-4503, ext. 76789; or email at tanya.l.plante@maine.gov).

Two Options

If you are eligible and are enrolled in a qualified health plan, you have two options for claiming the credit:

1. Claim the HCTC on your federal tax return for eligible payments you made directly to a qualified health plan during the year. (This is also the way to obtain the tax credit for any eligible premiums that you paid for a qualified plan before you registered in the HCTC program.)
2. Claim and receive the HCTC in advance by registering for the HCTC program. This program combines your share of your health plan premium for each month with a 65% **advance** payment of the federal tax credit. The combined payment will then be sent to the health plan on your behalf.

Register Now for the July Advance Payment Option

In most of the country, registration for the HCTC program will begin in August. However, the State of Maine and the Internal Revenue Service have developed a pilot program that allows you to register **now** to begin receiving the **advance** payment tax credit earlier. If you meet the eligibility criteria and are enrolled in a qualified plan, complete the enclosed HCTC Registration Form using the Program Kit as a guide. **To receive the advance payment for coverage beginning in July, you must bring your completed Registration Form to an HCTC Registration Session during the week of June 9th.** You should receive a separate letter that provides details about these sessions.

If You Cannot Attend a Registration Session

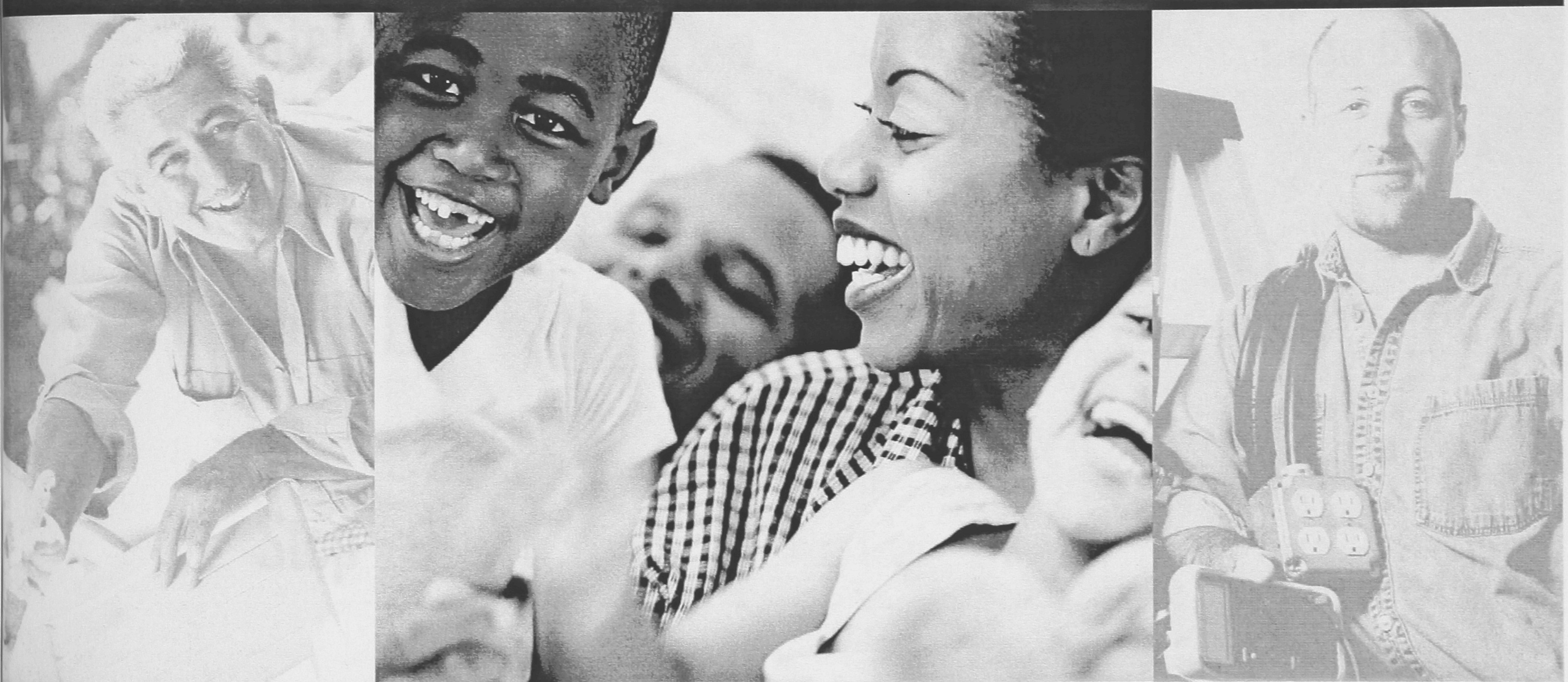
If you cannot attend an HCTC Registration Session, you may still participate in the pilot, but you will receive the advance payment for coverage beginning in August instead of July. Mail your Registration Form to the HCTC program in the enclosed postage-paid envelope. The HCTC program must receive your Registration Form **by July 7** in order to successfully process your registration, send you an invoice, receive your payment, and send it along with the 65% advance credit to your health plan administrator for coverage beginning in August.

Until you receive your first invoice from the HCTC program, you should continue paying 100% of your health plan premium directly to your health plan administrator.

For general information on the HCTC program or the enclosed materials, please visit the IRS.gov web site at www.irs.gov and enter IRS Keyword: HCTC. You may also call the HCTC Customer Contact Center at 1-866-628-HCTC (TDD/TTY: 1-866-626-HCTC).

Health Coverage
Tax Credit

Health Coverage Tax Credit Program Kit



Introducing a new program that can pay nearly two-thirds of your health plan premiums.

HCTC
Federal • State • Private Industry

Health Coverage Tax Credit

Since you have received this kit, you may be eligible to claim the Health Coverage Tax Credit (HCTC). This important benefit pays 65% of your qualified health plan premiums for as long as you remain eligible. That means you can save 65 cents out of every dollar you're paying now. You can even claim the credit if you don't owe any federal income tax.

Please note that this is not a government health insurance program; it is a federal tax credit.

In general, you may claim this credit if:

- You are receiving certain Trade Adjustment Assistance (TAA) benefits,
- You are receiving benefits under the Alternative Trade Adjustment Assistance (ATAA) program, or
- You are receiving benefits from the Pension Benefit Guaranty Corporation (PBGC) and you are at least 55 years old

In addition, you must be enrolled in a qualified health plan (see Step 2, "Determine if Your Health Plan Is Qualified" to learn what plans qualify).

There are two ways to receive the credit:

- As an advance tax credit to help pay for monthly health plan premiums as they become due, or
- As a lump sum when you file your 2003 federal tax return

This kit will take you step by step through the process of determining whether you are eligible for the credit. If you appear to be eligible, this kit will guide you through the registration process. Please follow the instructions carefully so you and your family can receive the full benefit of this program.

Step 1

Verify Your Eligibility

Do any of the following describe you? If you fit into any of the following categories, you may be eligible to receive the credit:

1. You receive a Trade Readjustment Allowance (TRA) under the Trade Adjustment Assistance (TAA) program.
2. You are eligible for TRA under the TAA program but have not used up your unemployment insurance (UI) benefits.
3. You receive benefits under the Alternative Trade Adjustment Assistance (ATAA) program.
4. You receive pension benefits from the PBGC or you received a lump sum payment from the PBGC after August 5, 2002 and you are at least 55 years old. Benefits received as a survivor, a beneficiary, or an alternate payee under a qualified domestic relations order also qualify if you are at least 55 years old.

If you have questions about TRA benefits under TAA or about ATAA, you can call your local state workforce agency for more information. You can also contact the Department of Labor Employment and Training Administration at 1-800-US-2JOBS.

If you have questions about pension benefits from the PBGC, you can call them at 1-800-400-7242.

You are not eligible for the HCTC if any of the following applies to you:

You are enrolled in a health plan maintained by an employer or former employer that pays at least 50% of the cost of the coverage

You are entitled to Medicare Part A or enrolled in Medicare Part B

You are enrolled in the Federal Employees Health Benefits Program (FEHBP), Medicaid, or State Children's Health Insurance Program (SCHIP)

You are entitled to health coverage through the U.S. military health system (Tricare/CHAMPUS)

You can be claimed as a dependent on someone else's 2003 federal tax return

As of the first day of the current month in which you are eligible, you are imprisoned under a federal, state or local authority

Additional Requirements:

You must choose a qualified health plan (see Step 2, "Determine If Your Health Plan Is Qualified").

You must be enrolled in this qualified health plan on the 1st day of the month in which you plan to claim the credit.

Verify Your Eligibility, continued

HCTC may cover your family too!

If you are eligible, you can use the credit to help purchase qualified health coverage for your qualified family members.

Qualified family members are:

- Your spouse, and
- Dependents that you can claim on your federal tax return (see note below)

You cannot claim the HCTC for a qualified family member who is any of the following:

Enrolled in a health plan maintained by an employer or former employer that pays at least 50% of the cost of the coverage

Entitled to Medicare Part A or enrolled in Medicare Part B

Enrolled in the Federal Employees Health Benefits Program (FEHBP), Medicaid, or State Children's Health Insurance Program (SCHIP)

Entitled to health coverage through the U.S. military health system (Tricare/CHAMPUS)

If you and your spouse are both HCTC-eligible and are covered by the same plan, only one of you needs to register in order for both of you to receive the credit. The person who didn't apply is considered a qualifying family member.

On the other hand, if you are both HCTC-eligible and have different health plans, you must register separately in order to receive the credit. In addition, each of you will need to complete and attach the IRS Form 8885 to your federal tax return(s).

Note: Children of divorced parents are treated as dependents of the custodial parent for the purposes of the HCTC. The non-custodial parent may not claim the credit even if she or he is entitled to claim the tax exemption for the child or carries the child's health insurance.

Step 2 Determine if Your Health Plan is Qualified

Remember, you must be enrolled in a qualified health plan to claim the credit.

Please note that enrolling in a qualified health plan does not guarantee you will receive the HCTC.

The following types of health coverage are qualified:

- COBRA continuation coverage, unless the employer or former employer pays at least 50% of the premium cost
- Individual coverage* in which you were enrolled for at least the last 30 days before you were separated from the job that made you eligible for TRA benefits, ATAA benefits, or payments from the PBGC
- State-qualified health plans (you can get a current list from the HCTC Customer Contact Center at 1-866-628-HCTC)
- Your husband's or wife's insurance from work, if the employer contributes less than 50% of the total health plan premium. (At this time, you can only claim the credit with this type of coverage when you file your federal tax return and not in advance.)

Are you currently uninsured? If you do not have any health coverage and you think you're eligible for the HCTC, contact a qualified health plan to enroll. Verify the coverage terms with the health plan and decide if they are acceptable to you. Keep copies of all of your 2003 health plan invoices for your records.

You must be enrolled in a qualified health plan to claim the HCTC.

*Individual coverage provided under a contract issued to one individual or family at a time usually requiring evidence of insurability and usually purchased through agents, brokers, or associations.

Claim the Credit

You can receive your Heath Coverage Tax Credit either monthly or when you file your 2003 federal tax return.

We recommend you keep the following: health plan policy information, health plan invoices, proof of payment, and HCTC program invoices (for advance tax credit only).

If you would like to receive your HCTC benefit monthly:

1. Enroll in an HCTC-qualified health plan, if you have not already done so (see Step 2, "Determine if Your Health Plan is Qualified" for more information).
2. Complete the HCTC Registration Form in this kit.
3. Enclose the completed Registration Form, a copy of your current health plan invoice, and a copy of your COBRA election letter (if applicable) in the postage-paid envelope provided to you. If you misplaced the envelope, mail these items to

   HCTC Processing Center
   P.O. Box 218386
   Houston, TX 77218-8386

4. If you have questions regarding the Registration Form, please contact the HCTC Customer Contact Center at 1-866-628-HCTC. (TDD/TTY callers, please call 1-866-626-HCTC.)
5. The HCTC program will process your Registration Form. You will receive a confirmation letter if you are successfully registered for the advance HCTC program. However, this does not complete all the steps necessary to be an **active** participant. Read your confirmation letter carefully. It includes some steps you must follow to actually begin receiving the credit in advance.
6. You will receive an invoice from the HCTC program. Return your specified payment in the envelope included with this invoice. When your first payment is processed successfully, you should send future payments to the HCTC program instead of to your health plan administrator.

   For detailed payment instructions, see Step 4, "Your Payment Responsibility."

Claim the Credit, continued

Important notes on the advance tax credit

- Keep paying your insurance bill in full until you receive an invoice from the HCTC Processing Center (approximately four to six weeks after you mail in the registration form).
- You will receive Form 1099-H or substitute Form 1099-H at the end of the year. Form 1099-H provides the amount of advance tax credit you have received and the months for which you have received it in 2003. It should be issued to you by February 2, 2004. You will need it to help you determine the amount, if any, of your credit on IRS Form 8885.
- If you are eligible for the HCTC and you have health coverage through your husband's or wife's employer, advance payment of the tax credit is not currently available to you. In such case, you may be able to claim the credit when you file your 2003 federal tax return.
- At this time, if you have qualified family members covered under a separate health plan policy, you can only claim the HCTC for their eligible premium amounts on your federal tax return.

If you would like to claim your HCTC benefit when you file your 2003 federal tax return

1. Continue to pay your qualified health plan premiums in full each month.
2. Complete IRS Form 8885 to claim the credit. Submit it with your IRS Form 1040, 1040NR, 1040SS, or 1040PR.

Be sure you continue paying your health plan administrator until you are registered and receive an HCTC invoice.

Your Payment Responsibility

Step 4

The HCTC program will cover 65% of your eligible premium amount. The eligible premium amount covers major medical plans for you and qualified family members. **Please note:** Exceptions such as vision and dental coverage are not considered part of the eligible premium amount (except when your health plan includes them in your major medical care premium).

If desired, use this worksheet to estimate your monthly payment responsibility. You will need your most recent health plan invoice.

1. Enter the total health plan premium that you pay per month for yourself and any qualified family member(s). (1) ________
2. Enter the total of any premiums you pay per month for exceptions (for example, vision and dental coverage). (2) ________
3. Subtract line 2 from line 1. This is your monthly eligible premium amount. (3) ________
4. Multiply line 3 by 35% (.35) and enter the result. (4) ________
5. Add lines 2 and 4. (5) ________
6. Enter the amount of any health plan premium you pay for non-qualified individuals. (6) ________
7. Add lines 5 and 6. This is an estimate of your contribution as part of the HCTC advance tax credit program. (7) ________
8. Subtract the amount on line 4 from the amount on line 3. This is an estimate of what you will save through the HCTC credit. (8) ________

How do I make my payment? Each month you will receive an invoice from the HCTC Processing Center. You must pay your portion in full by the due date provided. Once your payment clears, the HCTC Processing Center will add the credit amount and submit the full payment to your health plan administrator each month for as long as you are eligible for the program. Please note that late or missed payments may impact your participation in the advance HCTC program. If you miss the HCTC deadline for your payment, you should send your full premium amount to your health plan administrator in order to maintain coverage.

Step 4

Your Payment Responsibility, continued

The HCTC Processing Center will accept the following forms of payment:

1. Personal check
2. Business check
3. Money order
4. Certified check
5. Cashier's check

You should make your check payable to "US Treasury – HCTC." Your check must draw US funds from a US bank.

To send in your payment:

1. Enclose payment for the correct amount along with the payment coupon in the envelope provided. Be sure to write the Social Security Number (SSN) or Tax Identification Number (TIN) of the eligible individual on the check.
2. Send your payment to the US Treasury – HCTC. If you don't have the payment envelope that was sent with your invoice, you can send your payment to this address:

   US Treasury – HCTC
   P.O. Box 970023
   St. Louis, MO 63197-0023

You must pay your portion in full by the due date on the HCTC invoice.

Notice to HCTC Participants Making Payment by Check

Authorization to Convert Your Check: If you send us a check to make your payment, your check will be converted into an electronic fund transfer. "Electronic fund transfer" is the term used to refer to the process in which we electronically instruct your financial institution to transfer funds from your account to our account, rather than processing your check. By sending your completed, signed check to us, you authorize us to copy your check and to use the account information from your check to make an electronic fund transfer from your account for the same amount as the check. If the electronic fund transfer cannot be processed for technical reasons, you authorize us to process the copy of your check.

Insufficient Funds: The electronic fund transfer from your account will usually occur within 24 hours, which is faster than a check is normally processed. Therefore, make sure there are sufficient funds available in your checking account when you send us your check. If the electronic fund transfer cannot be completed because of insufficient funds, we may try to make the transfer up to two times.

Transaction Information: The electronic fund transfer from your account will be on the account statement you receive from your financial institution. However, the transfer may be in a different place on your statement than the place where your checks normally appear. For example, it may appear under "other withdrawals" or "other transactions." You will not receive your original check back from your financial institution. For security reasons, we will destroy your original check, but we will keep a copy of the check for record keeping purposes.

Your Rights: You should contact your financial institution immediately if you believe that the electronic fund transfer reported on your account statement was not properly authorized or is otherwise incorrect. Consumers have protections under a federal law called the Electronic Fund Transfer Act for an unauthorized or incorrect electronic fund transfer.

Your Payment Responsibility, continued

Until you receive your first invoice from the HCTC program, you should continue paying 100% of your health plan premium directly to your health plan administrator. Because registration takes 4 to 6 weeks to complete, you should budget to pay your full health plan premium during that time. You will be able claim the credit for that period when you file your federal tax return.

Make sure your health plan payments are up to date. The HCTC program is not responsible for any balance you owe prior to receiving the advance credit and will not bill you for this amount.

Once your first payment to the HCTC program is processed, you become an **active** participant in the advance HCTC program. For any period in which you are billed by the HCTC program, as long as you make your full payment to the program by the due date, you do not also need to send a payment directly to your health plan for those premium amounts. However, you may continue to receive invoices from your health plan as before. (You should save these for your personal records.)

Notify the HCTC Customer Contact Center at 1-866-628-HCTC (TDD/TTY: 1-866-626-HCTC) of any of the following changes:

Qualified family member(s) status

Health plan premium amount

Health plan benefits

Health insurance company

Health insurance product (e.g., HMO, PPO, POS)

Your personal information (e.g., your home address and phone number)

Termination of health coverage

Your eligibility

If you receive a letter from the HCTC program notifying you that you are no longer eligible for the advance tax credit, you should resume sending your full payment to your health plan administrator to maintain coverage.

Notify the HCTC Customer Contact Center of any changes to your personal or health plan information.

Step 5

Frequently Asked Questions About the HCTC Program

1. If I'm eligible, when can I begin receiving the HCTC and for how long?

Generally, you may continue to receive the HCTC for as long as you meet the eligibility requirements listed on page 4. If you are eligible for the credit under TAA, you may receive the credit for one extra month after your TAA eligibility ends.

2. If I am not a United States citizen, can I still claim the credit?

Yes, as long as you meet the program eligibility requirements.

3. If I do not owe any federal income tax, can I still claim the credit?

Yes, but you must file IRS Form 8885 with your 1040, 1040NR, 1040SS, or 1040PR when you file your federal tax return.

4. If I become employed, will I stop receiving the credit?

Going back to work will not in itself disqualify you from receiving the credit. However, you must still continue to meet the eligibility requirements listed on page 4 in order to remain eligible for the HCTC.

5. What is IRS Form 8885?

You should use IRS Form 8885 to claim the HCTC on your federal tax return. This form helps you determine if you are eligible and provides instructions for claiming the credit. You should complete and submit it along with your federal tax return. If you do not have IRS Form 8885, call the IRS at 1-800-TAX-FORM. You may also download the form at http://www.irs.gov/pub/irs-pdf/f8885.pdf.

6. What is IRS Form 1099-H?

If you claim the HCTC in advance, you will receive IRS Form 1099-H or substitute Form 1099-H. This form lists the amount of advance tax credit you received and the months for which you received it in 2003. It is for your records. You will need it to complete IRS Form 8885, which should be used to claim the HCTC for those months in which you were eligible for but did not receive the advance credit.

How Can We Help?

It's important to be sure that both you and your health plan qualify for the Health Coverage Tax Credit, and that you complete the Registration Form correctly. If you have any questions after going through this kit, please contact us. We're here to help!

Call toll-free 1-866-628-HCTC (1-866-628-4282).

TDD/TTY callers, please call 1-866-626-HCTC (1-866-626-4282).

Or visit us on the Web at http://www.irs.gov (IRS keyword: HCTC).

Be sure to fill out the Registration Form completely and correctly before sending it in.

Health Coverage

Department of the Treasury
Internal Revenue Service

www.irs.gov

Publication 4181 (5-2003)
Catalog Number 36370X

Health Coverage Tax Credit

HCTC
Federal • State • Private Industry
Health Coverage
Tax Credit

The Privacy Act of 1974 and the Paperwork Reduction Act of 1995 require that when we ask you for information we must first tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it and whether your response is voluntary, required to obtain a benefit, or mandatory under the law.

We ask for the information on this form to carry out the Internal Revenue laws of the United States. If you are eligible, section 35 of the Internal Revenue Code allows a credit for payments you made to buy certain types of health coverage during the tax year. Section 7527 lets you authorize your health coverage provider to receive this credit in advance in the form of monthly payments from the Internal Revenue Service.

The information you submit is used to determine if you qualify for the advanced payment of the Health Coverage Tax Credit (HCTC). If you fail to provide the information, or provide inaccurate information, your application may be denied. However, you may still qualify for the HCTC when you file your federal tax return.

The estimated average time to complete this form is 30 minutes. You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may be material in the administration of any Internal Revenue law.

Generally, tax returns and return information (tax information) are confidential, as stated in Code section 6103. However, Code section 6103 allows or requires the Internal Revenue Service to disclose or give the information to others as described in the Code. For example, we may give the information provided to us to your health plan administrator for the purposes of the HCTC program. We may disclose the information you provide to contractors for administrative purposes. We may also disclose this information to the Department of Justice, to enforce the tax laws, both civil and criminal; to other federal agencies; to states, the District of Columbia, and U.S. commonwealths or possessions in order to carry out their tax laws; and to certain foreign governments under tax treaties they have with the United States.

Please keep a copy of this notice for your records. It may help you if we later ask you for other information. If you have any questions about the rules for filing and giving information, please call the HCTC Customer Contact Center at 1-866-628-HCTC (1-866-628-4282). TDD/TTY callers, please call 1-866-626-HCTC (1-866-626-4282).

If you have any comments concerning the accuracy of this time estimate or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. DO NOT send the form to this office.

Health Coverage Tax Credit Registration Form

OMB No. 1545-1842

The Health Coverage Tax Credit (HCTC) program must receive this form and the requested documents in order to process your registration.

Before you begin:

Read the HCTC Program Kit to obtain definitions and to understand the eligibility requirements for you and your family members.

Locate the health plan invoice(s) for you and any qualified family members and, if applicable, your COBRA election letter.

Complete Step 4 in the Program Kit, "Determining Your Payment Responsibility," to understand how much the HCTC will contribute and how much you must contribute to the cost of your qualified health plan.

Instructions:

1. Type or print your answers legibly in black ink *(if your answers are not legible, the form can not be processed).*
2. Enter your Social Security Number (SSN) or Tax Identification Number (TIN) at the bottom of each page where indicated.
3. Read the instructions for each section to understand what type of information to provide in the section.
4. Enter only valid U.S. addresses where address information is required.
5. Enter "N/A" in any field that does not apply to you or to your qualified family member(s).
6. Sign and date this form, where indicated.
7. Keep a copy of your completed registration form and required document for your personal records.

Part I: Complete This Part to Provide Information about You

YOUR INFORMATION			
1. SSN or TIN	2. Date of Birth (mm/dd/yyyy)		
3. Last Name	4. First Name	5. Middle Name	6. Suffix (Jr., II)
7. Mailing Address	8. City	9. State/Territory	10. Zip
11. Telephone Number (Include area code and extension) Primary / Alternate	12. Preferred Language For Mailings (Mark only one of the following)	☐ English ☐ Spanish ☐ Braille	☐ English - Large Print ☐ Spanish - Large Print

Part II: Complete This Part to Determine Your Eligibility

1. Are you any of the following:

   No Yes (Check all that apply.)

   ☐ ☐ Eligible for a Trade Adjustment Allowance (TRA) under the Trade Adjustment Assistance (TAA) program.

   ☐ ☐ Receiving benefits under the Alternate Trade Adjustment Assistance (ATAA) program

   ☐ ☐ Receiving a pension benefit from the Pension Benefit Guaranty Corporation (PBGC)

   Did you answer "Yes" to any of the choices in question 1?

   ☐ No. Stop; you are not eligible to register for the advance credit at this time.

   ☐ Yes. Go to question 2.

2. Are you currently any of the following:

   No Yes (Check all that apply.)

   ☐ ☐ Enrolled in a health plan maintained by an employer or former employer that pays at least 50% of the cost of the coverage

   ☐ ☐ Entitled to Medicare Part A or enrolled in Medicare Part B

   ☐ ☐ Enrolled in Medicaid or the State Children's Health Insurance Program (SCHIP)

   ☐ ☐ Enrolled in the Federal Employees Health Benefits Program (FEHBP)

   ☐ ☐ Entitled to health coverage through the U.S. military health system (Tricare/CHAMPUS)

   ☐ ☐ Covered by a spouse's employer-sponsored health plan that pays at least 50% of the health plan premium

   Did you answer "Yes" to any part of question 2?

   ☐ No. Go to question 3.

   ☐ Yes. Stop; you are not eligible to register for the advance tax credit at this time.

3. Can you be claimed as a dependent on someone else's 2003 federal tax return?

   ☐ No. Go to question 4.

   ☐ Yes. Stop; you are not eligible to register for the advance tax credit at this time.

4. Are you imprisoned under federal, state or local authority?

   ☐ No. Go to question 5.

   ☐ Yes. Stop; you are not eligible to register for the advance tax credit at this time.

5. Are you covered by a qualified health plan?

   ☐ No. Stop; you are not eligible to register for the advance tax credit at this time.

   ☐ Yes. Go to question 6.

6. Is your qualified health plan sponsored by your husband's or wife's employer?

   ☐ No. Go to question 7.

   ☐ Yes. Stop; you are not eligible to register for the advance tax credit at this time. However, if the employer pays for less than 50% of the health plan premium, you may be able to claim the HCTC when you file your federal tax return.

7. Check the box next to the qualified health plan you have.

- ☐ COBRA continuation coverage (where the employer/former employer pays less than 50% of the premium cost)
- ☐ HCTC state-qualified health plan
- ☐ Individual coverage that you were enrolled in at least 30 days prior to separation from the job that made you TRA eligible, ATAA eligible, and/or PBGC eligible.

Claiming the Credit for Qualified Family Members

See Step 1 in the HCTC Program Kit for the definition of a qualified family member before answering question 8.

8. Do you have any qualified family members for whom you wish to claim the advance tax credit?

- ☐ No. Skip questions 9 and 10 and go to **Part III** on page 5.
- ☐ Yes. Go to question 9.

9. Are any of the family members for whom you wish to claim the advance tax credit:

No	Yes	(Check all that apply.)
☐	☐	Enrolled in a health plan maintained by an employer or former employer that pays at least 50% of the cost of the coverage
☐	☐	Entitled to Medicare Part A or enrolled in Medicare Part B
☐	☐	Enrolled in Medicaid or the State Children's Health Insurance Program (SCHIP)
☐	☐	Enrolled in the Federal Employees Health Benefits Program (FEHBP)
☐	☐	Entitled to health coverage through the U.S. military health system (Tricare/CHAMPUS)

Did you answer "Yes" to any part of question 9?

- ☐ No. Go to question 10.
- ☐ Yes. You must verify that each family member meets the definition of a qualified family member if you wish to claim the advance tax credit for that family member. Re-read the definition in Step 1 of the Program Kit to determine the family member's eligibility.

10. Are all of your qualified family members covered under your health plan?

- ☐ No. During the pilot, you will not be able to claim the advance credit for family members that are on separate plans or are invoiced separately. You may be able to claim the HCTC for these months when you file your federal tax return. Fill out the information about these qualified family members in **Part V.** Beginning on August 1, 2003, the HCTC may be able to start processing advance payments for these family members.
- ☐ Yes. **See the instructions below to complete this form.**

Instructions: First, complete **Part III** of this form to provide information about your qualified health plan.

Next, fill out **Part IV** of this form for any qualified family members on your plan.

Finally, if you have any qualified family members who have their own individual policy, fill out **Part V** of this form.

Part III: Complete This Part to Provide Information about Your Qualified Health Plan

1. You must include a record of your qualified health plan premium amount when you submit this form.

   COBRA – Include a copy of your COBRA election letter and a copy of your current month's health plan invoice.

   HCTC state-qualified or qualified individual coverage – Include a copy of your current month's health plan invoice.

2. Your health plan invoice must list premium amounts for non-qualified family members separately from the premium amounts for you and your qualified family members.

   If it does not, then you will need to include a letter from your health plan administrator defining the premium amount for only you and your qualified family members.

3. Your health plan invoice must list any exceptions (for example, vision and dental coverage) you pay for yourself and your qualified family members separately from the major medical expenses/premiums.

   If it does not, then you will need to include a letter from your health plan administrator that provides the amount for only the major medical expenses/premiums.

4. If you have any qualified family members covered under your plan, fill out **Part IV**. Fill out **Part V** for all qualified family members that have their own qualified health plan.

Your Qualified Health Plan Information		
1. Member ID	2. Group ID	3. Policy ID
4. Policy Holder's Name (Last, First, Suffix)	5. Policy Holder's SSN or TIN	

If your qualified health plan is COBRA, you must also provide the following information:

COBRA Health Plan Administrator	
1. Former Employer/Health Plan Administrator	2. Former Employer/Health Plan Administrator Telephone Number

Estimating the HCTC-Eligible Premium Amount for You and All Qualified Family Members on Your Health Plan

1. Use this worksheet to estimate your HCTC-eligible monthly premium amount. You will need your most recent health plan invoice.

   Your eligible premium amount does not include non-qualified family members.

   Your eligible premium amount does not include exceptions (for example, vision and dental coverage).

   The HCTC will pay for 65% of your actual eligible premium amount.

2. Refer to Step 4 in the Program Kit to estimate your payment responsibility.

1. Enter the total health plan premium that you pay per month for yourself and any qualified family members. . . . . $ ________.______

2. Enter the total of any premiums you pay per month for exceptions (for example, vision and dental coverage) . . . . $ ________.______

3. Subtract line 2 from line 1. This is your monthly estimated eligible premium amount. . . . . $ ________.______

THIRD PARTY DESIGNEE

A third party designee is someone you would like to authorize to access and update your HCTC account.

If you want to allow a friend, family member, or any other person you choose to discuss your HCTC account with HCTC Program, check the "Yes" box in the "Third Party Designee" area below. You will need to enter the designee's name, phone number, and any five numbers the designee chooses as his or her personal identification number (PIN). The PIN will be used to identify the designee if they contact the HCTC Program.

Do you want to allow another person to discuss your HCTC account with the HCTC program?

☐ No.

☐ Yes. Complete the following:

Designee's Full Name (type or print legibly)	Telephone Number	Personal Identification Number (PIN)
		☐☐☐☐☐

Under penalties of perjury, I declare that the information furnished on this form with regard to myself and to any qualified family member(s), and any attachments to it, are true, correct, and complete. I understand that a knowing and willfully false statement on this form can result in my disqualification from participating in the HCTC advance tax credit program.

Signature (sign in black ink)	**Full Name (type or print legibly)**	**Date Signed**
▶		

Part IV: Qualified Family Members on Your Health Plan

1. If you and your qualified family members share the same health plan, list each qualified family member for whom you are seeking to claim the advance credit on the form below.
2. Photocopy this form if you need additional space.

Note: Do not include qualified family members that have their own qualified health plan. Instead, fill out the information in **Part V** for these individuals.

INFORMATION FOR QUALIFIED FAMILY MEMBER #1				
1. Last Name		2. First Name	3. Middle Name	4. Suffix (Jr., II)
5. SSN or TIN	6. Member ID	7. Date of Birth (mm/dd/yyyy)	8. Relationship ☐ Spouse ☐ Child ☐ Other	

INFORMATION FOR QUALIFIED FAMILY MEMBER #2				
1. Last Name		2. First Name	3. Middle Name	4. Suffix (Jr., II)
5. SSN or TIN	6. Member ID	7. Date of Birth (mm/dd/yyyy)	8. Relationship ☐ Spouse ☐ Child ☐ Other	

INFORMATION FOR QUALIFIED FAMILY MEMBER #3				
1. Last Name		2. First Name	3. Middle Name	4. Suffix (Jr., II)
5. SSN or TIN	6. Member ID	7. Date of Birth (mm/dd/yyyy)	8. Relationship ☐ Spouse ☐ Child ☐ Other	

INFORMATION FOR QUALIFIED FAMILY MEMBER #4				
1. Last Name		2. First Name	3. Middle Name	4. Suffix (Jr., II)
5. SSN or TIN	6. Member ID	7. Date of Birth (mm/dd/yyyy)	8. Relationship ☐ Spouse ☐ Child ☐ Other	

Part V: Qualified Family Members Listed on a Policy Separate from Your Policy

1. Only fill out this section for qualified family members who have a policy separate from your policy.
2. Photocopy and fill out this form for each additional qualified family member for whom you wish to claim the credit.
3. You must include a copy of the current month's health plan invoice for each qualified family member when you submit this form.

INFORMATION FOR QUALIFIED FAMILY MEMBER #1			
1. Last Name	2. First Name	3. Middle Name	4. Suffix (Jr., II)
5. SSN or TIN	7. Date of Birth (mm/dd/yyyy)	8. Relationship ☐ Spouse ☐ Child ☐ Other	
9. Member ID	10. Group ID	11. Policy ID	
12. Policy Holder's Name (Last, First, Suffix)	13. Policy Holder's SSN or TIN		

Estimating the HCTC-Eligible Premium Amount for a Qualified Family Member Not on Your Health Plan

1. Use this worksheet to estimate the HCTC-eligible monthly premium amount for the qualified family member. You will need his or her most recent health plan invoice.

   The family member's eligible premium amount does not include non-qualified family members.

   The family member's eligible premium amount does not include exceptions (for example, vision and dental coverage).

   The HCTC will pay for 65% of the actual eligible premium amount.

1. Enter the total health plan premium that your qualified family member pays per month. . . . . $ ________.______
2. Enter the total of any premiums paid per month for exceptions for this individual (for example, vision and dental coverage). . . . . $ ________.______
3. Subtract line 2 from line 1. This is the monthly estimated eligible premium amount for this individual. . . . . $ ________.______

Did You Remember To:

- ☐ Provide all the information for **Part I**?
- ☐ Answer all of the eligibility questions in **Part II**?
- ☐ Provide all of the information on your qualified health plan in **Part III**?
- ☐ Use the Estimating the HCTC-Eligible Premium Amount worksheet **on page 6** to calculate the approximate HCTC-eligible premium amount for you and any qualified family members who are on your policy?
- ☐ Fill out **Part IV** for any qualified family members who are on your policy?
- ☐ Fill out **Part V** if you are claiming any qualified family members and they have their own policy?
- ☐ Use the Estimating the HCTC-Eligible Premium Amount worksheet **on page 8** to calculate the approximate HCTC-eligible premium amount for any qualified family members who have their own policy?
- ☐ Sign and date the HCTC Registration Form **on page 6**?
- ☐ Include the necessary health plan verification documents for you and any qualified family members in the envelope?
- ☐ Keep a copy of your completed HCTC Registration Form and any required documents for your personal records?
- ☐ Put your SSN or TIN on the bottom of each page of this Registration Form where indicated?

Mailing Address:

Mail your complete HCTC Registration Form and all required documents in the enclosed postage paid envelope.

Or, mail it to:

HCTC Processing Center
15115 Park Row
Suite #200
Houston, TX 77084

Attach a copy of the current month's health plan invoice(s) for you and any qualified family members to this page.

OR

If you have COBRA, attach a copy of your COBRA election letter and a copy of your current month's health plan invoice.

IMPORTANT

You must pay your health plan invoice in full for each period you are not invoiced by HCTC.

Department of the Treasury
Internal Revenue Service

www.irs.gov

Form 13441 (5-2003)
Catalog Number 36369W

FROM THE OFFICE OF PUBLIC AFFAIRS

May 30, 2003
JS-444

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $82,908 million as of the end of that week, compared to $82,182 million as of the end of the prior week.

I. Official U.S. Reserve Assets *(in US millions)*

	May 16, 2003			May 23, 2003		
TOTAL		82,182			82,908	
1. Foreign Currency Reserves [1]	**Euro**	**Yen**	**TOTAL**	**Euro**	**Yen**	**TOTAL**
a. Securities	7,638	13,553	21,197	7,815	13,461	21,277
Of which, issuer headquartered in the U.S.			0			0
b. Total deposits with:						
b.i. Other central banks and BIS	12,448	2,722	15,170	12,717	2,703	15,420
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]			23,126			23,390
3. Special Drawing Rights (SDRs) [2]			11,646			11,778
4. Gold Stock [3]			11,043			11,043
5. Other Reserve Assets			0			0

II. Predetermined Short-Term Drains on Foreign Currency Assets

	May 16, 2003			May 23, 2003		
	Euro	**Yen**	**TOTAL**	**Euro**	**Yen**	**TOTAL**
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 16, 2003			May 23, 2003		
	Euro	**Yen**	**TOTAL**	**Euro**	**Yen**	**TOTAL**
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						

Notes:

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. Foreign Currency Reserves for the latest week may be subject to revision. Foreign Currency

Reserves for the prior week are final.

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 entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to the prior week's IMF data. IMF data for the latest week may be subject to revision. IMF data for the prior week are final.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.