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VIA FEDERAL EXPRESS & EMAIL

February 23, 2004

Lori Santamorena, Executive Director
Bureau of the Public Debt
999 E Street, N.W.
Room 315
Washington D.C. 20239 - 0001

Re: Proposed Plain Language Uniform Offering Circular

Dear Ms. Santamorena:

The Bond Market Association¹ (“Association”) and its Primary Dealers Committee² appreciate the opportunity to comment to the Bureau of Public Debt (“Bureau”) on the rule proposal³ (“Rule Proposal”) recently issued by the Treasury Department (“Treasury”) to amend its Uniform Offering Circular for the Sale of Marketable Book-Entry Treasury Bills, Notes, and Bonds (the “UOC”)⁴ to convert the text to plain language and thereby make your auction rules easier to understand. The Association fully supports the Rule Proposal.

Before sharing some minor technical comments on the Rule Proposal, the Association would like to commend Treasury for its efforts to update the UOC and to make the language in the UOC clearer. One of the principal missions of the Association has always been to monitor the regulatory environment in which our members operate so as to ensure that any regulatory initiative facilitates the development of open and efficient

¹ The Association represents securities firms and banks that underwrite, distribute and trade in fixed income securities, both domestically and internationally, including all primary dealers recognized by the Federal Reserve Bank of New York. Our members are also actively involved in the funding markets for such securities, including the repurchase and securities lending markets. Further information regarding the Association, its members, and activities, can be obtained from our public website <http://www.bondmarkets.com>.

² The Primary Dealers Committee is made up of senior representatives from the primary dealers in United States government securities whose name appears on the “List of the Government Securities Dealers Reporting to the Market Reports Division of the Federal Reserve Bank of New York” and inter-dealer brokers who serve as conduits between Primary Dealers in the Treasury and federal agency securities markets.

³ See 68 Fed. Reg. 74294 (Dec. 23, 2003).

⁴ See 31 C.F.R. Part 356 (2003).



markets. We believe that the Rule Proposal would help promote greater efficiency in Treasury auctions by making the rights and obligations of auction participants and other investors in Treasury securities clearer. Equally important is the fact that the new UOC would allow Treasury to fulfill its obligations under Executive Order 12866,⁵ which requires all federal agencies to write rules and regulations that are simple and easy to understand. The Rule Proposal is also consistent with other recent efforts by Treasury to streamline and simplify dealer participation in the auction process such as the introduction of new auction systems and recent modifications to the net long position (“NLP”) reporting requirements. By converting the UOC to plain language, Treasury is simply taking another important step towards enhancing the auction process for dealers by essentially making it simpler to comply with its rules.

We thus view the Rule Proposal as being fully consistent with Treasury’s broader obligation to ensure that the rules and regulations governing its auctions are clear, unambiguous and up to date. As we have emphasized in the past:

“[e]ffective regulation of the bond markets . . . depends on promulgation of new rules and standards on a prospective basis, in a clear and widely disseminated form. Dealers and investors must have an unambiguous, advance understanding of the ‘rulebook’ governing their capital commitment to the bond markets.”⁶

The Rule Proposal clearly meets these broad objectives. For instance, the proposed UOC has taken on a true plain language document appearance and feel by referencing to each section of the UOC as a question such as in section 356.25 “How does the settlement process work?” These and other changes have made the UOC more readable and thus more quickly grasped by potential investors and bidders. More importantly, the proposed new plain language UOC represents a substantial improvement over the previous UOC as it provides much needed clarity for dealers and other auction participants in a number of important areas.

For instance, Section 356.11 has been rewritten in a manner that more clearly acknowledges that in contingency situations, such as a power outage, bidders may submit bids by telephone if they are submitted prior to the relevant bidding deadline. The various new charts that are included in the proposed UOC are another example of how the Rule Proposal would help investors more easily grasp the rules governing the sale of marketable book-entry Treasury bills, notes and bonds. The proposed UOC contains an NLP chart that describes in simple terms the obligations of dealers under that section of the UOC. Specifically, the table in Section 356.13 offers a much clearer explanation of when a bidder must report an NLP. This table improves upon the previous UOC because it acknowledges that a bidder whose combined bids and NLP is below the reporting

⁵ See 58 Fed. Reg. 190 (October 4, 1993); Section 1 Part 12 (“Each agency shall draft its regulations to be simple and easy to understand, with the goal of minimizing the potential for uncertainty and litigation arising from such uncertainty.”)

⁶ See Bond Markets 2000: A Conceptual Framework for Efficient Regulation of the Fixed Income Markets, at 1 (available at www.bondmarkets.com).

threshold may either leave the NLP field blank or still choose to report their NLP. Since some large bidders prefer to reduce errors by configuring their systems to report their NLP at every auction regardless of whether they exceed the reporting threshold, this clarification is quite useful. Likewise, Section 356.13 is rewritten in a manner that clarifies to auction participants that utilizing the NLP exclusion amount in calculating a reportable NLP in a reopening is optional. Usage of the optional exclusion amount in a reopening is something that we still get calls on from time to time, and we feel confident that the chart in Section 356.13 will help auction participants understand their exact reporting obligations.

Lastly, the only change the Association would recommend to the Rule Proposal is for Treasury to reinsert in Section 356.2, the definition of “Delivery and payment agreement.” This term is currently defined in the existing UOC. However, it was not defined in the revised UOC. The Association feels that this definition is needed given that this agreement is referenced in section 356.17(2)(ii) of the revised UOC.

In closing, the Association would like to congratulate Treasury for meeting its objectives with this rule amendment. On the whole the UOC is clear, free from unnecessary jargon, and has improved structure. We believe that Treasury has improved the UOC and appreciate that by doing so has again demonstrated a strong commitment to continually enhance its auctions rules, process and procedures.

If you have any questions regarding this letter, please feel free to contact the undersigned at 212.440.9448 or efoster@bondmarkets.com.

Sincerely,

Eric L. Foster
Vice President
Associate General Counsel

cc: *U.S. Treasury Department*
Timothy Bitsberger, Deputy Assistant Secretary for Federal Finance
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Federal Reserve Bank of New York
Anne Baum, Head of Auctions Operations
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Government Division Executive Committee
Primary Dealers Committee
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