FAQs for 2-Year Treasury Note Auction Delay

Why has Treasury taken this action?
This postponement is necessary because Treasury has limited borrowing authority and moreover, cash and nonmarketable debt forecasts are volatile. There is significant risk that Treasury would not be able to settle the 2-year note on Monday, November 2, 2015, because of the debt ceiling.

When was the last time Treasury postponed an auction due to debt limit-related constraints?
Treasury last postponed a 4-week Treasury bill auction announcement on November 15, 2004 due to debt limit-related constraints. The auction would have normally occurred on November 16, 2004, but was instead announced and auctioned on November 19, 2004. Treasury last postponed a nominal security announcement on May 22, 2003 due to debt limit-related constraints. This was a 2-year note auction that was originally scheduled for auction on May 28, 2003, but the announcement was postponed until May 27, 2003 and auctioned on May 29, 2003.

When does Treasury expect to announce the date for this auction?
Treasury expects Congress to act in a timely manner to resolve this debt limit impasse, after which Treasury can return to its normal auction schedule. When Congress increases the debt limit, Treasury will announce a rescheduling of the 2-year note auction.

What will the details of the security be once it gets auctioned?
Treasury expects the details of the 2-year note auction, particularly the dated date and maturity dates, to be the same as originally scheduled. Treasury also expects the size to remain in line with other recent 2-year note offerings.

Will this announcement cause any disruption to market functioning?
Treasury maintains a regular dialogue with various market participants and does not expect this announcement to disrupt market functioning. However, this should not be interpreted as a costless event for Treasury. Any interruption to Treasury’s auction process is a break from Treasury’s principle of regular and predictable debt issuance. Treasury believes that regular and predictable issuance leads to a lower cost of funding to the taxpayer over time.

Will any other Treasury auctions be affected by this announcement?
Treasury is not announcing postponements to any other auction, but Congress needs to act in a timely manner to resolve this debt ceiling impasse so that no other Treasury auctions are affected by similar debt limit-related constraints.

Are there any changes to the 2-year note that matures on October 31?
No.

Could Treasury have adjusted the 2-year note auction size and still have held the auction as originally scheduled?
Treasury does not plan to adjust the size of 2-year note auction given that the current debt limit-related constraints are temporary and Treasury’s normal issuance pattern can resume once Congress acts on this debt limit impasse. Treasury may use cash management bills (CMBs) to
provide the requisite financing needed at the end of October. Given the forecast risks, CMBs provide Treasury with greater flexibility to manage cash levels and borrowing authority.

**Why is Treasury postponing the 2-year auction, but proceeding with the 5-year and 7-year auction that settle on the same date?**

Treasury believes that postponing the auction for the shortest maturity debt poses less risk for market functioning.