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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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

FOR RELEASE AT 3:00PM
APRIL 28, 1997

CONTACT: Paul Elliott
(202)622-2016

TREASURY ANNOUNCES MARKET BORROWING ESTIMATES

The Treasury Department announced on Monday that its net market borrowing for the April - June 1997 quarter is estimated to be a pay down of $65 billion, with a cash balance of $35 billion on June 30. The Treasury also announced that its net market borrowing for the July - September 1997 quarter is estimated to be in the range of $40 billion to $45 billion, with a cash balance of $40 billion on September 30, 1997.

In the quarterly announcement of its borrowing needs on February 3, 1997, the Treasury estimated net market borrowing for the April - June quarter to be a pay down in the range of $10 billion to $15 billion, assuming a $35 billion cash balance on June 30.

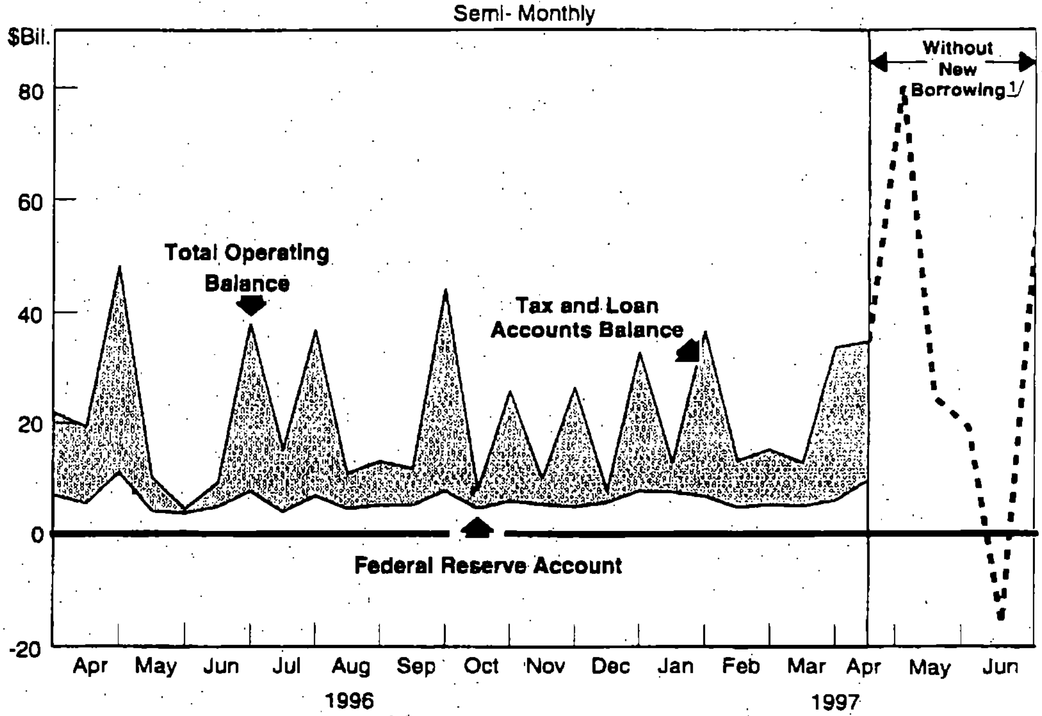
Actual net market borrowing in the January - March 1997 quarter was $44.6 billion, while the end-of-quarter cash balance was $33.5 billion. On February 3, the Treasury estimated net market borrowing for the January - March quarter to be $50 billion, with a $20 billion cash balance on March 31. The combined improvement of $19 billion was the result of higher than estimated receipts and lower than estimated outlays.

The regular quarterly Press Conference will be held at 1:00PM on Wednesday, April 30, 1997.

RR-1651

TREASURY OPERATING CASH BALANCE

Semi- Monthly

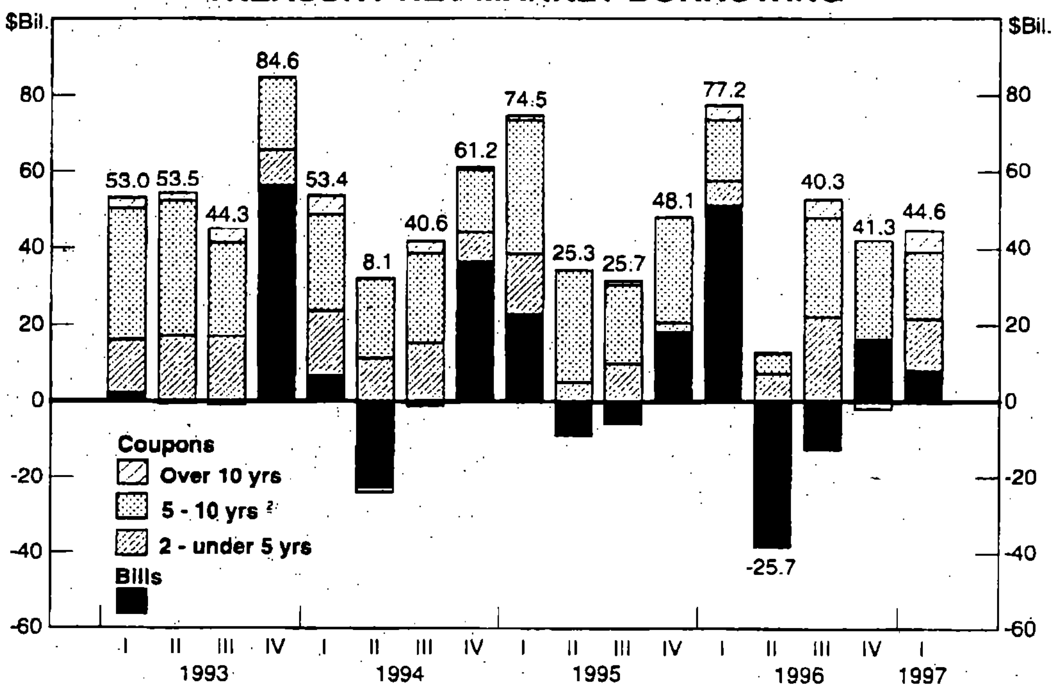


1/ Assumes refunding of maturing issues.

Department of the Treasury
Office of Market Finance

April 28, 1997-3

TREASURY NET MARKET BORROWING 1/



1/ Excludes Federal Reserve and Government Account Transactions.

2/ 7 year note discontinued after April 1993.

Department of the Treasury
Office of Market Finance

April 28, 1997-4

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20502

April 29, 1997

MEMORANDUM FOR WHITE HOUSE SENIOR STAFF '97 APR 29 AM 10:21

FROM: JEFFREY A. FRANKEL

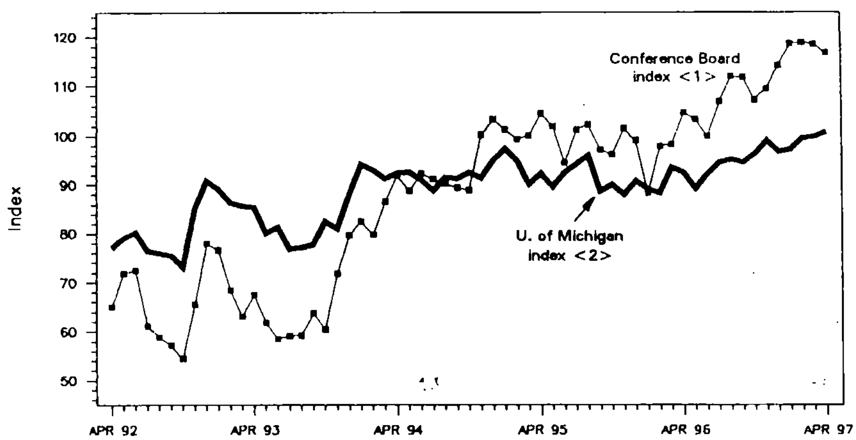
SUBJECT: Consumer Attitudes: Conference Board Index of Consumer Confidence, Tuesday, 10:00 a.m., University of Michigan Index of Consumer Sentiment (Preliminary)

The Conference Board's index of consumer confidence and the University of Michigan's consumer sentiment index moved in opposite directions in April. The Conference Board index declined 2 index points while the Michigan index rose 1 index point. Both measures still place confidence near the top of their historical ranges. The Michigan index is in the top 2 percent; the Conference Board index is in the top 10 percent.

- A dip in the present situation index accounted for the 2 point decrease in the Conference Board index. However, the present situation index remains high.
- Respondents to the Michigan survey assessed the long-term economic prospects to be more positive in early April than at any other time during the past 10 years.

The Michigan survey's median expectation for inflation during the next year remains at 3 percent, where it has been stable for about 4 years.

CONSUMER ATTITUDES



<1> Consumer Confidence Index (1985 = 100)
<2> Index of Consumer Sentiment (1966:1 = 100)

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WASHINGTON, D.C. 20502

'97 APR 29 AM 8:38

April 29, 1997

MEMORANDUM FOR WHITE HOUSE SENIOR STAFF

FROM: JEFFREY A. FRANKEL *Jeff A. Frankel*

SUBJECT: Employment Cost Indexes for March 1997, Labor Department Release, Tuesday, 8:30 a.m.

Hourly compensation in the private sector increased at a 2.5 percent annual rate in the December-to-March period--slightly below its recent trend and below market expectations. Wages (up at a 3.5 percent rate) increased faster than benefits (which were unchanged).

The ECI shows some effects from last October's increase in the minimum wage. Since then, the industries and occupations with the lowest wage levels have shown the largest acceleration. Nevertheless, the overall annual rate of wage increase in the past 6 months was about the same as during the previous 12 months.

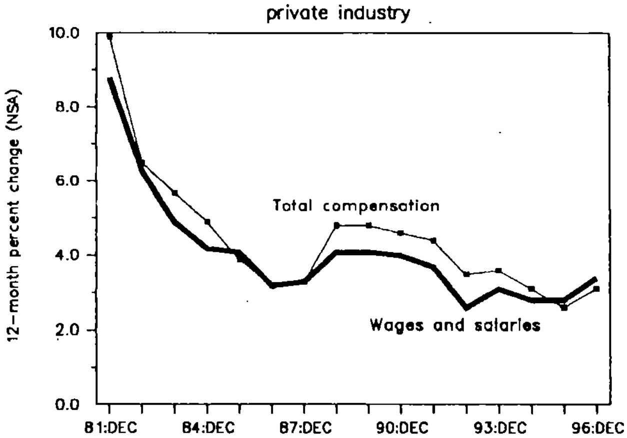
Over the 12 months ending in March, hourly compensation in private industry rose 3.0 percent--a pickup of 0.3 percentage point from the year-earlier pace. Both wages and benefits picked up slightly.

- Wages increased 3.4 percent--up from 3.2 percent during the year-earlier period. With the CPI up 2.8 percent over this same period, these data imply a modest 0.6 percent gain in real wages.

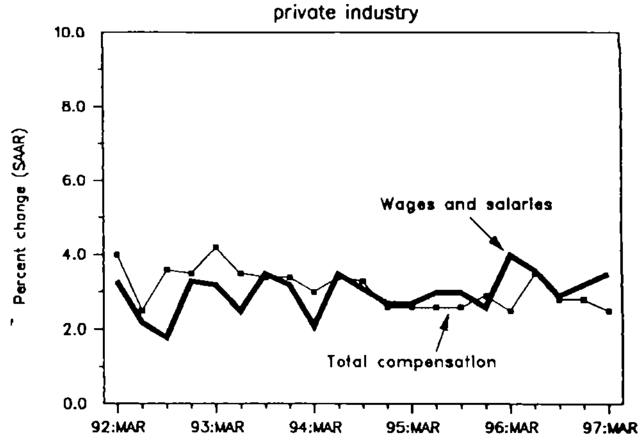
- Hourly benefits were held down by health insurance costs, which increased only 0.2 percent during the past 12 months.

At these rates, hourly compensation is not likely to put pressure on price inflation because--along with continuing productivity gains--it implies slow increases in unit labor costs.

DEC. TO DEC. CHANGE IN ECI
private industry



3-MONTH CHANGE IN ECI
private industry



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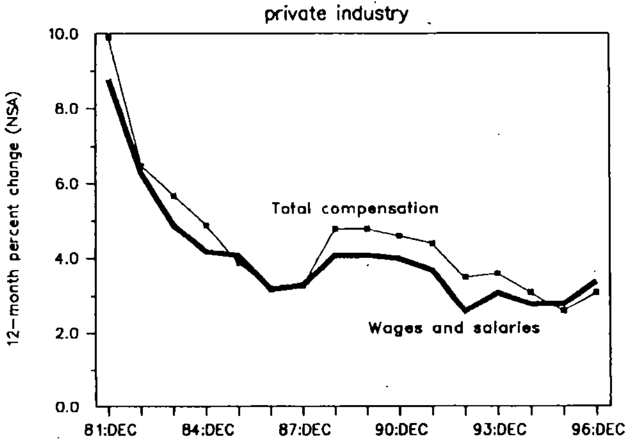
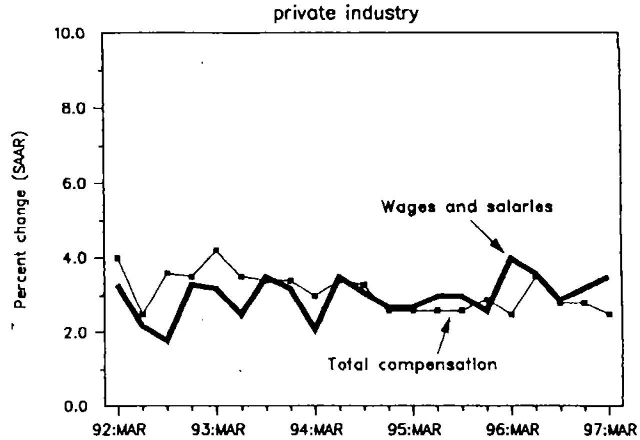


3-MONTH CHANGE IN ECI
private industry



TREASURY DEPARTMENT PLAN TO IMPROVE SERVICE AT THE IRS

Treasury Deputy Secretary Larry Summers announced today the Administration's intention to propose a **five-point plan** to improve management and customer service at the Internal Revenue Service. Over the past year the Administration has been looking at ways to improve the IRS. The Administration will continue to consult with Members of Congress. We have made some progress over the past year as Deputy Treasury Secretary Summers explained March 17 in a speech to the Tax Executive Institute.

The plan:

Institutionalize Oversight
The plan would institutionalize Treasury Department oversight of IRS management, making permanent the Modernization Management Board created by the Treasury Secretary last year to evaluate proposed strategic decisions of the IRS. The Department will also establish a blue ribbon Advisory Committee, reporting directly to the Secretary of the Treasury which will bring private sector expertise to bear on the management of the IRS.

Increase Flexibility
We will work with Congress and the Treasury union to enhance and strengthen the IRS's flexibility to manage its operations and its people.

Reform Budget Process
We will work with Congress to help the IRS get stable and predictable funding for its long-term capital projects.

Simplify Taxes
As stated in the President's FY 98 budget, we intend to introduce new tax simplification legislation in this year's budget cycle. We have already taken steps toward simplification (e.g. pensions reform, "check-the-box" regulations and our porposed home capital gains exemption), and we will work with COngress to further simplify our 9,851 page tax code.

Leadership
We are committed to appointing a new Commissioner who has experience with the challenges of organizational change, customer service improvement and information technology. We will charge the new Commissioner with developing a strategic plan for change.

We believe that these steps provide a framework for the kind of tax administration system that American taxpayers deserve. We look forward to working with Congress, the IRS Restructuring Commission, the union and members of the public to set the IRS on a new course for the 21st century.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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Treasury Anti-Money Laundering Regulations

On Wednesday, May 21, 1997, the Department of the Treasury will publish three Notices of Proposed Rulemaking in the Federal Register designed to prevent and detect money laundering in the money services businesses -- money transmitters, issuers, redeemers and sellers of money orders and traveler's checks, check cashers, and currency retail exchangers. While these regulations are the result of the lessons learned from the New York Geographic Targeting Order ("GTO"), the regulations themselves are much broader than that order.

The GTO

Beginning on August 7, 1996, certain licensed money transmitters in the New York metropolitan area and their agents have been subject to an order requiring them to report information about the senders and recipients of all cash-purchased transmissions to Colombia of $750 or more. Under Secretary of the Treasury for Enforcement Raymond W. Kelly issued the "GTO" pursuant to a provision of the Bank Secrecy Act (BSA). GTOs are intended to be temporary measures, and can be authorized for no more than 60 days at a time.

The El Dorado Task Force

The GTO's origins lie in the investigative efforts of the Treasury-led El Dorado Task Force, a joint federal, state and local effort that includes some 140 agents, police officers and support personnel from 13 agencies, including Customs, the IRS Criminal and Examination divisions, the Secret Service, the NYPD and New York State Banking Department.

El Dorado developed evidence that certain New York area money remitters and their agents were engaged in a scheme to move drug money to Colombia by breaking up large cash transactions to avoid the reporting and record keeping requirements of the BSA. Armed with this information, the U.S. Attorneys from the Southern District of New York, the Eastern District of New York, and the District of New Jersey, along with senior officials from Customs and IRS, presented Treasury's Financial Crimes Enforcement Network (FinCEN) with a compelling case that a GTO would be an appropriate step to take against these transmitters. FinCEN staff then worked closely with the primary Assistant U.S. Attorney and others from Customs, IRS and the Department of Justice to review the application and craft an appropriately tailored order, originally involving 12 licensed money transmitters and 1,600 agents.

The GTO was extended and expanded in October 1996 to include a total of 22 licensed transmitters and approximately 3,500 agents. The order was extended again in December and February, and extended again and expanded to include one more licensed money transmitter the first week of April, 1997.

Effects of the GTO
The GTO caused an immediate and dramatic reduction in the flow of narcotics proceeds to Colombia through New York City money transmitters. Treasury's analysis of data generated by the GTO is ongoing, but the targeted money transmitters' business volume to Colombia appears to have dropped approximately 30%. Business to Colombia dropped off even at the money remitters not subject to the GTO, suggesting that much of the money remitted to Colombia was controlled centrally by high-level cartel money brokers.

In the aftermath of the GTO, Customs has observed a marked increase in interdiction and seizure activity at the borders -- over $50 million in the first 6 months since the GTO went into effect, approximately four times more than in prior years.

The GTO also has had a significant impact on money laundering activity among the targeted transmitters. Several stopped sending funds to Colombia. One went out of business altogether. One money transmitter agent has pled guilty to structuring transactions to avoid the reporting requirements, and the El Dorado Task Force has made numerous additional arrests. El Dorado is continuing to pursue investigations of this type, and FinCEN will consider imposing civil penalties against violators who are not pursued criminally.

In addition to the Proposed Rules, Treasury is considering whether, and under what circumstances, to issue additional GTOs. In late May, Treasury and the Department of Justice will be convening a meeting of US Attorneys and Special Agents from high-risk money laundering areas to introduce the GTO and other tools which Treasury has at its disposal.

Proposed Rules
In response to the results achieved through the GTO, President Clinton asked Treasury to look for ways to translate into a permanent solution the benefits realized through this interim measure. The rules announced today seek to achieve this goal.

Registration of Money Services Businesses (MSBs)
The most fundamental of these proposals is to implement the Congressional mandate to register "money transmitting businesses"generally, which includes money transmitters or remitters, money order issuers and sellers, travelers check issuers and sellers, retail currency exchangers, and check cashers. Treasury has redefined this class of businesses as money services businesses ("MSBs") to avoid confusion between the terms money transmitting business and money transmitter, and has drafted the registration proposal in a way that strikes an appropriate balance between law enforcement's need for accurate information about the owners and locations of MSBs against the concern that small businesses be spared of unnecessary and intrusive regulation.

Suspicious Transaction Reporting by MSBs
The second proposed regulation would extend the suspicious activity reporting requirements -- already in place with respect to banks -- to money transmitters and issuers, sellers and redeemers of traveler's checks or money orders. Because customers of these institutions do not maintain

account relationships, it is more difficult for these entities to know their customers well enough to spot suspicious transactions. To address this potential problem, the proposed rule provides guidance by listing specific indicia of suspicious transactions gleaned from money laundering investigations.

Lowered Threshold for Currency Transaction Reporting By Money Transmitters

The final proposed regulation essentially makes the New York GTO apply nation-wide and on a permanent basis. Under the proposed rule, money transmitters would be required to report currency transactions of $750 or more that involve the transmission of funds to any person outside the United States. The rule also requires the remitters to verify the identity of the person sending the funds. Treasury does not believe that this rule will unduly burden legitimate business; the vast majority of legitimate remittances are between $200 and $500.