To: Memorandum to Institutions Maintaining Direct Wire Facilities with the Federal Reserve Bank of New York for Securities Transfer

RE: Book-Entry Services Provided for Treasury Department (Treasury)

As detailed in the enclosed Treasury announcement, in January 1997, the Treasury will begin issuing a new marketable book-entry security which is indexed to 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 at the Department of Labor. The new Treasury securities will be held and transferred on the Federal Reserve operated Commercial Book-Entry System. The enclosed documentation refers to the Commercial Book-Entry System as “TRADES” (Treasury/Reserve Automated Debt Entry System).

The new inflation-indexed securities will be issued with a stated fixed rate of interest to be applied to the inflation-adjusted principal on each interest payment date. They will be redeemed at maturity at their inflation-adjusted principal amount or at par, whichever is greater.

These new Treasury securities will be processed by the Federal Reserve operated book-entry securities transfer system. Transfers of these obligations will be governed by the same procedures and fees applicable to transfers of other Treasury book-entry securities. These obligations are transferable nationwide upon issuance and they will be eligible for stripping at issuance. A separate announcement regarding the stripping of these securities will be distributed shortly.