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TT&L  
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P.O. Box 1602  
South Bend, Indiana 46634

September 22, 1999

Ms. Cynthia L. Johnson, Director  
Cash Management Policy & Planning Division  
Financial Management Services, Room 420  
401 14th Street SW  
Washington, D.C. 20227

RE: Proposed rule change regarding the rate of interest charged TT&L

Dear Ms. Johnson:

Thank you for this opportunity to comment on the Treasury proposal to change the definition of the "Treasury Tax and Loan (TT&L) rate of interest" from the Federal Funds rate less 25 basis points to a volume-weighted average overnight repurchase agreement rate.

Your proposal states "Since 1990, however, the average difference between the two rates has been only approximately 2 basis points (2 hundredths of one percentage point)". Based on this small difference, we question the need for the change. Your proposal requires another index to be monitored by the FRBNY and by each note option bank.

Since we currently do not actively participate in the repurchase agreement market, there is no need for the bank to monitor this index. However, we do actively participate in the overnight federal funds market. In addition, it has been our experience that historically our spread has not averaged 25 basis points below our cost of federal funds. This is due to one factor, that is, our federal funds rates do not mirror the weight average effective federal funds rate as computed by the Federal reserve Bank of New York. Nonetheless, we know, understand and monitor the federal funds rate bench mark.

Therefore, we do not support the change from the bench mark federal funds rate to the overnight repurchase agreement rate.

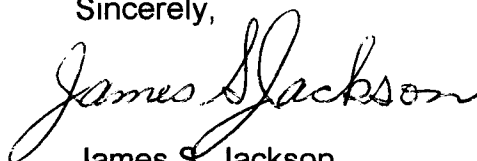
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Further, the change to an overnight repurchase agreement rate will add an element of basis point risk to the daily transactions. As a result we will have to reassess our status as a note option bank. We are unable to determine how this will alter our participation, until we have analyzed the daily basis point risk between the overnight repurchase program and the overnight federal funds rates. Also, pending the acceptance by other participating note option banks, this proposed change could alter the amount of liquidity in the system and the overnight federal funds rate.

You further request our interest in obtaining note balances for a guaranteed term. Your request for comment does not define the length of the term nor does it outline the procedures for obtaining term note balances. Currently, we do not rely on the funds for more than one day in our liquidity calculation due to the uncertainty of the daily amount of the note balance. While there is a benefit to having a set term, the amount available, rate and term will have to be measured against other funding that is available to our institution.

We appreciate this opportunity to express our views.

Sincerely,



James S. Jackson  
Senior Vice President  
Chief Investment Officer  
Funds Management Division

cc: Ronald J. Piatek  
TT&L Manager  
Federal reserve Bank Chicago