



Northern Trust Bank

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8/19/99

August 16, 1999

Cynthia L. Johnson, Director
Cash Management Policy & Planning Division
Financial Management Service
Room 420
401 14th Street, SW
Washington, DC 20227

Dear Ms. Johnson:

Today we received a proposed amendment to the Treasury Tax & Loan rate of interest. You will probably not be surprised if I respond that we are not in favor of this increase.

We currently use the Note Option because there is a slight cost advantage to us. We are currently able to raise funds at 25 basis points below Fed funds on roughly four million dollars. If this small benefit were eliminated we would change to the remittance option and replace the lost TT&L funds with Fed funds purchases. It simply would not be sensible for us to continue to meet the record keeping and pledging requirements while paying a market rate for the funds. We are an affiliate of the Northern Trust Corporation and can easily access the Fed funds market.

We would not have any interest in term TT&L balances. Please contact me if you have any further questions.

Yours truly,

H. James Sigsbee
Senior Vice President &
Chief Financial Officer

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The Private Bank