



April 11, 2012

Department of the Treasury
Bureau of the Public Debt
Government Securities Regulations Staff
799 9th Street NW.
Washington, DC 20220

Re: March 19 Public Input on the Development and
Potential Issuance of Treasury Floating Rate Notes

Ladies and Gentlemen:

Mizuho Securities USA Inc. (“MSUSA”) appreciates the opportunity to comment on the proposal by the Department of the Treasury (“Treasury”) to issue Floating Rate Notes (“Treasury FRNs”).

As a Primary Dealer, MSUSA has significant experience making markets in U.S. government securities to institutional investors. In addition, MSUSA is a leading market maker in Corporate Floating Rate Notes (“Corporate FRNs”).

MSUSA supports the Treasury’s proposal to issue FRNs. We believe that, if adopted, the proposal would result in benefits to the Treasury including investor diversification and extension of the Treasury’s debt maturity profile.

Investor Demand

Historically, there has been high demand for FRNs, particularly for those maturing within two years. Much of this demand has been driven by securities lending portfolios, money market funds, and corporations. We believe that Treasury FRNs would capture many of these same investors in addition to reaching a broader group including pension funds, insurance companies, and money managers. This latter group’s investment decisions are driven not only by prescribed liquidity or maturity constraints, but also interest rate considerations. Furthermore, these investors will help drive demand beyond the traditional shorter maturity profile that most current FRNs occupy.

As FRNs already occupy a significant portion of the U.S. fixed income market, investors are familiar with the product. In 2011, FRN issuance exceeded \$140 billion for Government Sponsored Enterprises (“GSEs”) and \$120 billion in U.S. Corporate Bonds.

Proposed Product Framework

Product success will be improved by early adoption of money market funds (MMFs). This particular investor base has specific requirements applicable to Rule 2a-7, which are: (1) Weighted Average maturity (“WAM” - maximum 60 days); (2) Weighted Average Life (“WAL” – maximum 120 days); (3) Final Effective Maturity (397 days – which applies to the actual

remaining maturity of a fixed rate instrument or the time remaining between reset dates); and (4) maintenance of the fund's rating (for a fund to remain rated, the maximum maturity of any security in the portfolio must be within 731 days).

Distilling these criteria, a MMF can own a FRN with as much as two years remaining to maturity. The WAM of the FRN is determined by the length of the reset period which, all other things being equal, MMFs prefer to be as short as possible.

We recommend that initial offerings of Treasury FRNs include maturities of one to five years with weekly resets and quarterly coupon payments. Based on historical investor preference for FRNs with maturities within two years, weighting issuance more heavily in one or two year maturities might offer the best initial chances for strong demand.

As for the reference rate, we support the use of the three month Treasury Bill ("T-Bill") rate, as determined by the single price award level (auction stop) for the weekly three month T-Bill auction. The auction stop is a transparent reference point which is derived from deep and diverse participation in the weekly auctions. The weekly reset allows each three month T-Bill auction to feed into the reference rate. Additionally, the proposed format (weekly reset, quarterly coupon) is consistent with the structures of T-Bill FRNs favored by investors in the past.

As an additional consideration, Treasury might consider setting a floor on the reference rate to assuage investor concerns about technical factors in the T-Bill market that could result in negative yields.

In terms of pricing and liquidity implications, initial FRN issuance in maturities ranging from one to five years could replace a portion of T-Bill issuance without having an adverse impact on T-Bill liquidity. While the Treasury will maintain similar exposure to short rate market expectations, roll over risk will be reduced and the Treasury debt maturity profile will be lengthened. Initially, final maturities inside three years are expected to see higher investor demand resulting in a lower liquidity premium.

We would be pleased to discuss any of the comments or recommendation in the letter with the Treasury's staff in further detail.

Sincerely,



Gerald Rizzieri

Executive Managing Director
Fixed Income Division Head
Mizuho Securities USA Inc.