MIZUHO

January 22, 2013

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

Ladies and Gentlemen:

Mizuho Securities USA Inc. ("MSUSA") appreciates the opportunity to comment on issuance of Floating Rate Notes ("Treasury FRNs") by the U.S. Department of the Treasury ("Treasury").

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.

MSUSA believes that Treasury FRNs should leverage existing broad-based acceptance and transparency of the T-bill market by referencing Treasury FRNs to the weekly 13-week auction stop out rate. The drivers behind this recommendation include:

- The existing active market for T-bill floaters with an established set of market conventions with broad based global demand;
- The long established and transparent issuance and price discovery of the underlying base index (T-bills); and
- The likelihood that a new Treasury floater based on this index will increase the importance of T-bills for global investors.

As to an alternative option of using Repo as an index, there are drawbacks. A significant hurdle would be gaining investor acceptance for the creation of a new product category based on a broad-based index that currently does not exist. Thus, investors may be slower to adopt this product based on the introduction of two variables rather than one. An additional consideration is that Repo would expose the Treasury and investors to potential dislocations in the repo market that could be driven by exogenous factors which most likely would be reflected in an additional risk premium for Repo-based Floaters.

The following are our recommendations and comments related to product structure and issuance strategy for Treasury FRNs.

Index:
13 week Treasury bill auction high rate

Interest Rate:
Index rate plus a spread

Reset Frequency

Weekly reset is consistent with established market convention and will lead to the greatest level of transparency and appeal to the greatest number of market participants.

Frequency of Interest Payments

Quarterly payment is consistent with established market convention.

Lock-Out Periods

7 days prior to the interest rate payment date

Minimum Interest Rate

A floor rate should be set to zero. Additionally, a minimum coupon of 0.125% should be instituted to allow the bonds trade at a premium. "If" the index set is less than zero (and the spread does not produce a product equaling a positive interest rate), the securities should be issued at a rate of zero (a premium given the 0.125% coupon restraint). This will ensure that investors do not have to remit payment back to the Treasury.

Minimum Spread

Spreads should be allowed to clear at market levels with the zero interest rate barrier constraint factored into the auction process.

Interest Accrual

"Actual / Actual"

Auction Frequency and Settlement

Auctions for floating rate Treasury debt should be held monthly as part of Treasury's regular debt program. Settlement for newly auctioned notes should be on or near the 15th to best match investor cash needs

Re-Openings

We believe that floating rate notes should be issued monthly and should not be reopened on a regular basis.

Initial Coupon Setting

Initial coupon setting should be the index rate in effect two New York business days prior to the settlement date. This will require a change in "Section 356.24 (c)" to reflect the need to establish the initial rate setting on the Fed Wire prior to settlement.

Discount Margin

Utilization of "discount margin" bidding for re-openings of securities with previously established spreads is appropriate. We do, however, differ in opinion about regularly scheduling re-openings. The "discount margin" calculation illustrated in appendix B in the Treasury proposal is appropriate and consistent with market convention.

Maturity

Two years. However, success of two year maturity bonds will not necessarily yield insight into future demand and/or spread behavior for longer maturities.

Offering Amounts

Initial investor interest will support new issue sizes up to $20 Billion per month if issued as T-bill FRN.

We would be pleased to discuss any of our comments or recommendations.

Sincerely,

Gerald Rizzieri
Executive Managing Director
Fixed Income Division Head