1. I am offering these comments; a) in light of extensive personal experience in devising, marketing and trading a variety of FRN’s as a primary dealer, regional dealer and capital markets consultant for 30+ years, b) as an impartial observer and student of capital markets and in particular the market for U.S. Treasury securities and c) as a U.S. citizen and tax payer.

2. The abiding key issues of any money-market proxy security are; a) the underlying credit of the issuer, b) thoughtful and long term perspective of the products specifications, c) easily understood structure for investors and dealers alike and d) a realization that ‘counter-party risk’ should be considered when devising the products specifications.

3. I am assuming the initial maturity will be a Two Year FRN and over time Five and possibly Ten year maturities will be cycled into this funding tool.

4. In my experience the initial and primary investors in this product will be Money-market funds, Central Banks and Bank/Corporate cash accounts. Private disintermediation and large institutional investors will be ‘slow-follow’ participants.

5. FRNs are, by nature of the structure, primarily defensive or passive investments, any secondary trading will develop around the products perceived value to alternate investments. The specifications of the product should be easily understood and utilize known benchmarks and proxies.

6. The original and re-set coupon of the FRN should never be below zero percent. 0% should be a set floor. The original issue Spread to Proxy may well be a “minus number”, but will always have a Zero Coupon Floor Rate.

7. The FRN index should be the weekly three month Treasury Bill auction. T-Bill auctions are transparent, widely understood and participation in both auctions and secondary markets is across all investor sectors.

8. Treasury Bill auctions are one important step removed from any counter-party crisis that may freeze a collateral market. Treasury Bill supply is a controllable tool of the issuer and can be weighed during overall debt management and funding planning.

9. The FRN auctions should be internet, Dutch format and bid in ‘spread to proxy’ and issued at par. The secondary trading of FRNs will use ‘spread to life’ calculations, made possible by using the weekly reset off the Three month T-Bill auction.

10. Coupon payment periods should reflect the maturity of the proxy i.e., three months.

11. Mid-month coupon payments will make cycling in five and ten year maturities easier, it will also keep the coupon payment out of potential month-end/quarter-end/year-end cash-flow fracas. Investors and dealers will find it easier to price and carry.

12. Volatility of a pricing proxy will cut both ways, less volatility makes pricing of less than two year maturities that are re-set weekly easier for money-market funds to use. Greater volatility offers more potential value in the longer maturities of the FRN product line for ‘performance driven’ bond fund investors.

13. Using the Three month T-Bill index will also make ‘hedging’ by dealers that much easier via the secondary bill market and/or the T-bill futures market. Both markets easily understood, liquid and transparent.

14. FRNs are a standard product for money-market investors and an ‘alternate defensive’ product for longer term investors. Markets are a ‘net zero sum’ game, but a good structure will make the most efficient product for Treasury funding and most useful for a wide base of investors. Good luck!