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Via electronic submission

Mr. Fred Pietrangeli,
Director, Office of Debt Management,
Office of the Assistant Secretary for Financial Markets,
U.S. Department of the Treasury
govsecreg@fiscal.treasury.gov

RE: Docket number TREAS-DO-2020-0007, Request for Information on the Development and Potential Issuance of Treasury Floating Rate Notes Indexed to the Secured Overnight Financing Rate

Dear Mr. Pietrangeli,

We appreciate the opportunity to share some perspectives on the development and potential issuance of treasury floating rate notes (FRNs) indexed to the Secured Overnight Financing Rate (SOFR). SOFR Academy is an American education technology firm backed by a team of financial services professionals and leading academics. We have partnered with Amazon Web Services to provide high-quality low-cost online education intended to empower people and corporations with the knowledge and skills to transition away from the USD London Interbank Offered Rate (LIBOR). We believe that education is a key component of an orderly and broad-based transition to Alternative Reference Rates (ARR). We also believe that SOFR can and should be the primary ARR for the vast majority of financial products that currently reference USD LIBOR in the United States of America and abroad.

We are fully supportive of the development and issuance of SOFR-indexed FRNs by the U.S. Treasury in consultation with market participants and the Alternative Reference Rates Committee[1] (ARRC). We further commend the analysis previously conducted by the Treasury Borrowing Advisory Committee[2] (TBAC). In response to the Treasury's Request for Information, we would like to submit the following comments pertaining to operational readiness of likely

[1] See Alternative Reference Rates Committee website https://www.newyorkfed.org/arrc
[2] See Treasury Presentation to TBAC, Fiscal Year 2019 Q3 Report https://www.treasury.gov/resource-center/data-chart-center/quarterly-refunding/Documents/q32019CombinedChargesforArchives.pdf

investors, potential impediments, timing considerations, and the impact of SOFR-indexed FRNs on the overall transition from LIBOR.

Our views on this consultation are based, in part, on informal discussions with select clients and end users. In our experience, the largest financial institutions in the United States, including Primary Dealers, are sufficiently prepared both operationally and technologically to purchase a Treasury SOFR-indexed FRN. While we have witnessed a number of buyside firms mobilize LIBOR transition programs in the first half of 2020, at present they are by-in-large lagging major sellside firms in transition preparations. Exhibit 1 provides an illustrative overview of the preparedness levels of various businesses compared with the perceived level of LIBOR transition program complexity.

We view the recent publication[3,4] by the US Securities and Exchange Commission's (SEC) Office of Compliance Inspections and Examinations as a very positive development for SEC registrants' LIBOR transition preparedness. The majority of large non-financial corporates have deemed LIBOR transition a risk in their SEC filings, but have made limited demonstrable progress yet in eliminating their reliance on LIBOR.

Exhibit 1

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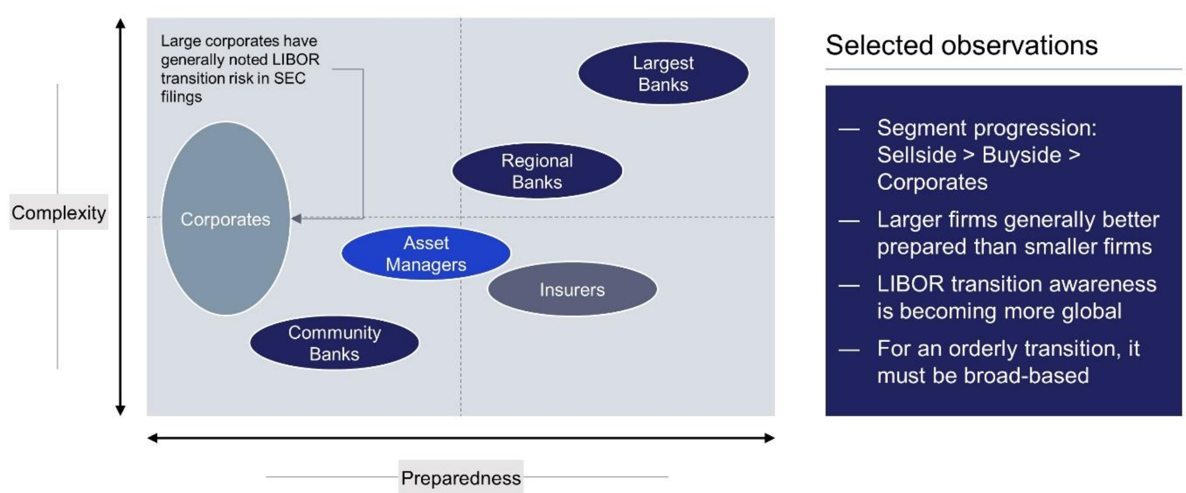
Approximating LIBOR transition preparedness across U.S.

Representative diagram of LIBOR transition preparedness vs program transformation complexity across the U.S. financial system



Source: SOFR Academy analysis

[3] See SEC Risk Alert, Examination Initiative: LIBOR Transition Preparedness https://www.sec.gov/files/Risk%20Alert%20-%20OCIE%20LIBOR%20Initiative.pdf

[4] See SOFR Academy Insight: Using impact analysis to prepare for an SEC LIBOR transition exam https://sofracademy.com/

We believe a major bottleneck for the LIBOR transition is mindset and acceptance, which is best addressed through education. In 2019, through approximately 100 meetings with US financial market participants at institutions of varying sizes and business mixes, an education gap with respect to USD LIBOR transition became evident. This observation was the genesis for establishing SOFR Academy, where our mission is to build leaders in a SOFR-based financial ecosystem for clients, businesses and communities. It has been shown that SOFR can be operationalized for usage in most financial products,[5] despite the current nascent stages of certain SOFR markets.

To successfully launch a SOFR-indexed FRN, it is important that market participants are operationally and technologically ready for transactions. To that end, we suggest taking into consideration the timelines set out by the ARRC for technology and operations vendors[6], feedback from the ARRC's FRN Working Group and aligning the potential issuance of a SOFR indexed FRN accordingly. Additionally, as the US dollar remains the preeminent global currency,[7] and US debt issuance attracts significant foreign investment, a SOFR-indexed FRN will likely involve the participation of firms outside of the U.S. As such, it may be beneficial to seek feedback from, and co-ordinate with, Risk-Free-Rate Working Groups in major international jurisdictions[8].

However, as noted earlier, major sellside firms, such as Primary Dealers, are generally equipped to provide liquidity in SOFR-indexed FRNs. Potential buyers of FRNs, including money market mutual funds, and corporate treasuries, will likely require modest adjustments to their infrastructure to successfully accommodate SOFR-indexed FRNs.

We believe that SOFR-indexed FRNs will be very attractive securities to all buyers of short debt and regular investors in triparty repos. Their price stability, their natural hedging ability against funding risk, the historically similar yield profiles to triparty repos, and potentially rising coupons in the current near zero-rate environment all make SOFR-indexed FRNs appealing investments.

Issuance of a SOFR-indexed FRN would be a significant driver of SOFR linked liquidity and would help accelerate the development of both over-the-counter and exchange traded SOFR based markets. By moving forward with this initiative, the US Treasury would encourage and help facilitate the broader transition away from USD LIBOR for the financial system.

Regarding the potential issuance of a SOFR-indexed FRN, we feel the US Treasury has an opportunity to lead by example. For the transition away from LIBOR to be successful and occur without disruption to the financial system, it must be broad based. We believe that all market participants currently transacting in LIBOR linked products have a responsibility to take action now in order to expunge their dependence on LIBOR. By pushing ahead with issuance of a SOFR-indexed FRN, the U.S. Treasury can demonstrate its own LIBOR transition preparedness

[5] See A Users Guide to SOFR https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2019/Users_Guide_to_SOFR.pdf
[6] ARRC Releases Best Practices for Vendors' Transition to SOFR and Vendor Readiness Survey Results https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2020/ARRC-press-release-best-practices-for-vendors-transition-to-SOFR.pdf
[7] See the Bank for International Settlements CFFS Paper No 65 https://www.bis.org/publ/cgfs65.pdf
[8] See Working Group on Sterling Risk-Free Reference Rates https://www.bankofengland.co.uk/markets/transition-to-sterling-risk-free-rates-from-libor, the Working Group on Euro Risk-Free Rates https://www.ecb.europa.eu/paym/initiatives/interest_rate_benchmarks/WG_euro_risk-free_rates/html/index.en.html and the Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks https://www.boj.or.jp/en/paym/market/jpy_cmte/index.htm/

with a tangible example and help to reinforce the message for market participants that LIBOR is coming to an end.

Thank you for your consideration of these comments.

Yours sincerely,

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