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Federated
WORLD-CLASS INVESTMENT MANAGER®

April 16, 2012

Department of Treasury
Bureau of the Public Debt
Government Securities Regulations Staff
799 9th Street N.W.
Washington, DC 20239-0001

Re: Docket No. BPD-2012-001, Public Input on the Development and Potential Issuance of Treasury Floating Rate Notes

Dear Sirs:

This letter presents the comments of Federated Investors, Inc. and its subsidiaries ("Federated") on the notice and request for information released by the Department of Treasury, seeking input on the development and potential issuance of Treasury Floating Rate Notes ("FRNs").

Federated is one of the largest investment management firms in the United States, managing $369.7 billion in assets as of December 31, 2011. With 134 funds and a variety of separately managed account options, Federated provides comprehensive investment management to approximately 4,700 institutions and intermediaries, including corporations, government entities, insurance companies, foundations and endowments, banks and broker/dealers. Federated is the third largest manager of money market mutual fund in the United States.

1. Would FRNs attract new investors into the Treasury market for a sustained period of time?

From the perspective of an adviser to money market mutual funds, we believe that it would be a positive market development for money market mutual funds to have access to another type of liquid security that is eligible for purchase by money market mutual funds under Rule 2a-7 (an "Eligible Security").

We believe that the issuance of FRNs clearly would attract purchases from Treasury money market mutual funds that are not authorized to invest in repurchase agreements ("Treasury-Only MMF"), whose investments historically have been concentrated in short-term Treasury bills and Treasury coupon-bearing securities with remaining maturities of six months or less. Issuance of FRNs could also appeal to Treasury money market mutual funds that are authorized to invest in repurchase agreements collateralized by Treasury securities ("Treasury

MMF"), by providing a short-duration instrument currently not available to such funds. It also may attract purchases from government and prime money market mutual funds, which traditionally have not been heavy purchasers of Treasury securities. This is particularly true due to reduced agency issuance in recent years, as well as increased liquidity positions in these money market mutual funds.

2. Would a Treasury FRN help meet the investment needs of retail and institutional investors?

We believe that FRNs would help meet the investment needs of both retail and institutional money market mutual funds, as well as a variety of other investors, particularly those with investment objectives or mandates that emphasize stability of principal.

3. How liquid would you expect FRNs to be in the secondary markets?

Securities issued by the U.S. Treasury are inherently liquid. Provided that there is a sufficient size and regularity of issuance to permit a secondary market to develop, we would anticipate that FRNs would have a high degree of liquidity. When considering FRNs in relation to other Treasury securities, we would anticipate that FRNs would be less liquid thanTreasury bills, but more liquid than TIPS.

4. What is the ideal structure for a Treasury FRN?

Again from the perspective of an adviser to money market mutual funds, it is critical that FRNs be structured to qualify as Eligible Securities under Rule 2a-7.

We believe that it is also important that FRNs have a stated final maturity within the range identified below in subsection (a). Rule 2a-7 limits the portfolio maturity of money market mutual funds, requiring that such funds maintain a dollar-weighted average portfolio maturity appropriate to the fund's objective of maintaining a stable net asset value. Rule 2a-7 provides that under no circumstances may a money market mutual fund's dollar-weighted average portfolio maturity ("DWAM") exceed 60 days; nor may its modified dollar-weighted average portfolio maturity ("WAL") exceed 120 days.

For purposes of calculating DWAM, the maturity of an adjustable rate security (like an FRN) generally will be the period remaining until its next interest rate adjustment. For purposes of calculating WAL, the maturity of an adjustable rate security (like an FRN) will be its stated final maturity, without regard to interest rate adjustments. Accordingly, while Rule 2a-7 would not explicitly limit the stated final maturity of an FRN, the WAL limitation would effectively limit a money market mutual fund's exposure to FRNs with long stated final maturities.

Requirements imposed by nationally recognized statistical rating organizations that rate money market mutual funds also may limit investments by the funds in FRNs.

a. What is the ideal final maturity for a Treasury FRN?

We believe that the ideal stated final maturity for FRNs would be between one and two years.

We would anticipate that the liquidity of an FRN would correlate with its stated final maturity date; and that an FRN with a shorter stated final maturity would have a higher degree of liquidity than an FRN with a longer stated final maturity.

b. What are the pros and cons of using the following reference rates for a Treasury FRN: Treasury bills, a Treasury general collateral-based repurchase agreement (``repo'') rate, and the federal funds effective rate? Are there any other reference rates that merit consideration?

Generally, we believe that the index should reset off of a reliable, easily observable measure or market, at intervals that most closely match the frequency with which the FRN is brought to market. For example, this could be weekly for a Treasury bill-based security tied to the weekly Treasury bill auction results; daily for a federal funds index tied to the federal funds effective rate of the previous day; or daily for a repo-based index tied to the published DTCC GCF Treasury Repo Index ("GCFTR Index"). The FRNs would need to be protected against the potential of negative yields, so a coupon floor at zero would be appropriate and consistent with current market convention.

We believe that Treasury bills as an index would most closely match the characteristics desired by current investors in the Treasury direct bill market, but may not be as much of a match for potential new investors into FRNs. In the agency market, bill-based floaters have exhibited a fair amount of price volatility over the years, largely a result of relative interest rate movements rather than perceived credit risk, which could lessen the desirability of the FRN if it is tied to such index; or limit the maturity to which a potential investor in the FRNs may feel comfortable being exposed.

In the past, using the federal funds effective rate has been efficient, both for the agency floating rate market as well as non-government markets. Accordingly, an FRN tied to the federal funds effective rate may have appeal to both current investors in the Treasury direct bill market, as well as to investors in other markets; in the money market mutual fund world, this could include Treasury MMF, as well as government and prime money market mutual funds. The drawback of the federal funds effective rate is the more recent unpredictability in the federal funds market due to a shifting participant base in such market; additionally, potential investors may be skittish about the longevity of the federal funds effective rate.

A Treasury general collateral-based index has appeal for the same reasons as the federal funds-based effective rate, as described above. The GCFTR Index also could be a viable choice, because it is publicly available and easily verified. However, the lack of history for the GCFTR Index could prove to be a hurdle for investors who have policies with respect to, or make investment decisions based on, the historical behavior of an index; and the longevity of the GCFTR Index in the face of ongoing reform efforts in the repo market would need to be considered as well.

c. What would be the appropriate coupon payment frequency of a Treasury FRN?

In our experience, it would be market convention to have a quarterly coupon payment frequency.

5. What changes to trading, settlement and accounting systems would be needed to accommodate FRNs?

We do not anticipate that changes to settlement or other operational systems would be required to accomodate FRNs.

6. Are there any other operational issues that Treasury should be aware of when deciding on whether to issue FRNs?

We are not aware of any operational issues that Treasury should consider when deciding whether to issue FRNs.

7. Given the above considerations, are FRNs a useful debt management tool that Treasury should consider?

Yes. As we previously noted, we believe that FRNs would be a useful debt management tool that could potentially be purchased by all money market mutual funds. We believe that FRNs could be very important to Treasury-Only MMF and Treasury MMF. However, we believe that FRNs also could attract purchases by government and prime money market mutual funds, which traditionally have not been heavy purchasers of Treasury securities.

Please feel free to contact us if you have any questions or require additional information relating to our comments.

Yours very truly,

Deborah A. Cunningham

Deborah A. Cunningham
Executive Vice President and Chief Investment Officer