Category	#	Question	Response
1. Market Demand		Which types of investors would be the primary buyers of Treasury SOFR-indexed FRNs?	The investor base likely will be broad include money market funds, corporate cash management functions, liquidity management functions at GSEs and insurers (both life and P&C), commercial bank portfolios, global central banks, state and municipalities, and HFs (to manage excess cash as many RV funds hold 40% or more percentage of AUM in cash).
		Would Treasury SOFR-indexed FRNs attract new investor types or additional demand from existing Treasury investors?	Although we do not believe that SOFR-indexed FRNs will attract new investor types given the broad global buyer base already, we do believe that there will be additional demand from any investors whose portfolio base-yield is repo driven, i.e. 2a7 funds and certain liquidity management cash pools.
	1.1	Assuming the possibility of a 1-year or 2-year maturity, how would the tenor of a Treasury SOFR-indexed FRN affect demand?	We believe given the tenor limitation of 2a7 funds, 13 months or shorter final maturity will receive the greatest demand compared to longer maturities.
		Please estimate annual demand for Treasury SOFR-indexed FRNs. Would demand be greater for a shorter tenor?	Shorter tenors will be met with greater demand, at least at the onset of the SOFR-indexed FRNs. Not only will the 120 day WAL constraint from the money fund community play a key hurdle here. The GSEs have issued 700 bln SOFR-linked instruments since 2018, and we think an annual demand of 250 bln SOFR linked is quite reasonable. This figure is directly and positively correlated to the size and composition of the Fed's SOMA portfolio as well.
	1.2	How would potential growth in issuance of SOFR-indexed FRNs by other issuers affect long-term demand for Treasury SOFR-indexed FRNs?	Treasury SOFR-indexed FRNs will undoubtedly contribute to the critical mass that is currently developing for SOFR-index FRNs by other high quality issuers. Treasury SOFR-indexed FRNs will serve as a base-rate from which other issuers can price their debt instruments in the primary market and market makers can rely on to provide liquidty in the secondary market. Furthermore, SOFR-based Treasury floater will establish a market standard for payment calculations and conventions, again benefitting other SOFR-linked instruments. It is a virtuous cycle in our view.
	2.1	Would introducing a Treasury SOFR-indexed FRN help Treasury finance the government at the lowest cost over time? Why or why not?	SOFR is directly and positively correlated to repo, and in times of balance sheet distress, SOFR has the potential to rise and rise fairly rapidly. This was evident during the repo distress in September of 2019, when SOFR rose to 5.25% on 09/17. As balance sheet premium is generally embedded in off the run securities instead of newly issued on the runs, it is possible to think that a SOFR-indexed FRN may increase the financing cost for the Treasury. That said, the UST market is nonetheless broad and deep, and any additional relative value is quickly arbitraged in a normally functioning market. We think the volatility of SOFR / balance sheet premium embedded in the index will lead to a tighter spread compared to T-Bill FRN UST, and having another arrow in the quiver gives the Treasury more flexibility to meet investor demand, which will ultimately reduce the financing cost for the government.
		How would you expect a Treasury SOFR-indexed security to price relative to a comparable maturity 13-week T-bill FRN security?	
	2.2	How would this pricing vary across the economic cycle and interest rate environments? Please provide pricing estimates.	The idiosyncratic price action in SOFR is largely driven by balance sheet premium instead of true economic cycles in our view, and balance sheet premium is a direct result of financial regulation such as SLR and eSLR. As such, we believe SOFR volatility will increase as financial regulation increases, leading to higher balance sheet premium and higher SOFR resets. This scenario may occur in good economic times or in a downturn. In a downturn the risk gets exacerbated as widening credit spread leads to higher RWAs for banks and therefore even more balance sheet premium.
		SOFR has risen significantly for certain short time periods, such as around some ends of months, quarters, and years. To what extent would such patterns, if they continue, affect the interest cost for Treasury on a SOFR-indexed FRN, the interest payments of which would be based on a SOFR averaged or compounded rate over a longer interest accrual period?	Higher SOFR volatility will need to be accounted for with an overall higher all-in interest cost in our view.
	2.3	To what extent would investors be willing to bid lower discount margins at auctions for Treasury SOFR-indexed FRNs in expectation of such patterns continuing? Please elaborate.	It is unclear to us that investors will bid lower discount margins at auctions for Treasury SOFR-indexed FRNs. Although the occasional spike has occurred in the past, the Fed demonstrated significant willingness to keep repo market functional and repo rates low. In addition, negative repo rates have a long and established precedent in "specials". This two-way volatility must be accounted for, on the margin.
		During the global financial crisis, repurchase agreement rates were persistently higher than Treasury bill rates. More recently, during the COVID-19 outbreak, liquidity in Treasury and other markets (including repurchase agreement markets) exhibited signs of stress. How would potential future periods of market stress affect SOFR?	Please see 2.2
	2.4	In a potential future period of market stress, how might interest costs for Treasury differ between a Treasury SOFR-indexed FRN and the 13-week T-bill FRN? Please elaborate.	In an arbitrage free world, we think the interest cost for Treasury, between these two instruments, will converge. As SOFR rises, investors will likely sell T-Bill FRNs to buy SOFR-indexed FRNs. We don't think these instruments will ultimately trade very differently from one another.

		How liquid would Treasury SOFR-indexed FRNs be in secondary markets?	This depends on the size, frequency, and predictability of SOFR-indexed FRNs. The more frequent and predictable the issuance schedule is, the more liqud the instrument will be in the secondary market. Also, the less onerously Treasuries are treated on dealer balance sheet from a leverage ratio standpoint, the more liquid the instrument will be.
2. Pricing & Liquidity	2.5	Please compare the expected liquidity of Treasury SOFR-indexed FRNs to Treasury bills, the existing 13-week T-bill FRN, and off-the-run short-dated coupons.	Bills should be the most liquid. Short-coupon liquidity is CUSIP dependent - some more liquid than FRNs and some less.
		What are the primary considerations Treasury should evaluate when structuring a Treasury SOFR-indexed FRN?	The ability to model and project cash flows is important to the investor base for nearly all fixed income asset classes and Treasury SOFR-indexed FRN is no different. In particular, some, but not all investors have found compounded interest to be a challenge.
	3.1	How would different potential security structures affect investment decisions by market participants, including with respect to activity in derivatives markets?	Without the ability to calculate and capture compounded interest in a systematic manner, certain investors will not be able to participate in the SOFR-index FRN market. Although the standard SOFR derivatives contract has a compounding feature, we
	3.2	Some previously gathered feedback has suggested a 1-year final maturity for original issuance of a Treasury SOFR-indexed FRN. Is this maturity or another maturity preferable for a Treasury SOFR-indexed FRN? Please elaborate.	3m, 6m, and 12m are preferable for a Treasury SOFR-indexed FRN. Followed by 18m and 24m. This will help establishing a curve which dealers can use to value issues in the secondary market. Beyond 24m, we believe demand will be quite limited at the onset.
		Is a quarterly issuance frequency with two reopenings appropriate for a Treasury SOFR-indexed FRN, similar to the existing 13-week T-bill FRN?	Yes
	3.3	What factors should Treasury consider in making this decision?	Keeping a frequent and predictable issuance schedule will reduce risk premium required by investors and will reduce unnecessary financing expenses for the US Treasury
		When during the month should Treasury auction SOFR-indexed FRNs?	Mid-month auction with 15th settlement is preferable
	3.4	When should auctions settle?	See above. Although month-end and quarter-end balance sheet pressure has become very well-advertised, GSIB surcharge nonetheless remains. Month-end settlement is a risk that shouldn't be ignored.
		Should interest on Treasury SOFR-indexed FRNs be calculated based on a simple average or a compounded average of SOFR?	Compounded over simple average to match the derivatives market
		Should Treasury consider indexing the security to an average rate based on SOFR, such as those recently published by FRBNY as administrator for SOFR?	Yes
	3.5	If so, what would be the optimal averaging period for a SOFR-indexed FRN?	Quarterly
		What coupon frequency should be used for a Treasury SOFR-indexed FRN? Note that the existing 13-week T-bill FRN pays coupons quarterly.	Quarterly
		Would a semi-annual, or other coupon frequency be preferred?	No, quarterly to match T-Bill FRN
	3.6	When during the month should coupon and principal payments be made?	15th
	3.7	Should the index rate for a Treasury SOFR-indexed FRN reset daily, weekly, or at some other frequency?	Reset daily
		Should a Treasury SOFR-indexed FRN incorporate a lockout (i.e., last k rates for an interest period set at SOFR k days before the period ends), a lookback or "lag" (i.e., for every day in the interest period, use SOFR from k days earlier), or a payment delay (i.e., coupon and principal payments made k days after the end of the interest period) in its structure?	We believe incorporating a lookback with a backward shifted observation period will benefit the investing community to operationally support SOFR-index floaters. A lockout misses certain resets during the payment period and creates idiocyncratic reset risks. A payment delay, however, is undesirable and unnecessary in our view if a lookback has been incorporated.
	3.8	If so, what values would be appropriate for each attribute? Please explain relevant considerations for these features.	1 Day is ideal in our view. However we can see certain investors may require 2-days to operationally support the settlement of interest payments, at least at the onset of the program.
3. Security Structure	3.9	In light of FRBNY's data contingency procedures for the publication of SOFR,[9] what contingency measures should Treasury consider incorporating into the terms of a SOFR-indexed FRN if SOFR, or an average rate based on SOFR, is temporarily unavailable or revised?	The same procedure eliminates any potential discord between the Fed and the Treasury, and is therefore the most ideal.
	4.1	If Treasury decides to issue SOFR-indexed FRNs, what, if any, changes should Treasury make to the existing 13-week T-bill FRN issuance program?	Maintaining both programs gives the Treasury the maximum flexibility to meet investor demand in the future. SOFR-indexed FRNs should come at the expense of T-Bills, and not T-Bill FRNs.
	4.2	Should Treasury issue FRNs indexed to both indices, or should Treasury consolidate FRN issuance on a single index?	Both indices for maximum flexibility
	4.3	If there is not sufficient demand for both Treasury FRNs to coexist, which index would generate the greater long-term demand and better meet Treasury's issuance objectives? Please elaborate.	Assuming the ARRC is successful and SOFR establishes itself as the alternative reference rate, SOFR-indexed floaters will generate greater long-term demand as it provides a way to take repo risk but for tenors and maturities that may not be available in the actual UST repo market. SOFR-indexed FRNs align with regulatory call to action and will be viewed as a priority for many investing clients. T-Bill indexed FRNs will not be able to achieve the same critical mass or multiplier effect compared to SOFR-based FRNs, especially since there is no comparable derivatives market on the T-Bill index.
4. Existing 13-Week T-Bill FRN	4.4	Should Treasury consider issuing 13-week T-bill FRNs with a 1-year final maturity? How should the decision regarding issuance of Treasury SOFR-indexed FRNs affect this possibility?	We are recommending 1y final maturity for SOFR-indexed FRNs. We do not recommend 1y final maturity for T-Bill FRNs. It creates unnecessary noise and distracts from the overall objective of launching SOFR-indexed FRNs.

5. Market Transition		What proportion of likely investors is currently operationally ready to purchase Treasury SOFR-indexed FRNs?	Given the proliferation of GSE SOFR floaters, we believe the majority of likely investors are operationally ready to purchase Treasury SOFR-indexed FRNs. That said, it is unclear to us whether global central banks and state and local are fully prepared at this particular moment. That said, we do believe that 90% or more investors are prepared from a volume perspective.
		For those investors that are not ready, what are the main impediments?	Governance structure for the SOFR index as well as operational readiness around the compounded interest stand out as two main hurdles for investors at the moment.
		How much lead time and investment would be required for additional investors to become operationally ready to purchase Treasury SOFR-indexed FRNs?	6 to 18 months, and highly dependent on the Libor cessation timeline
	5.1	Would any of the security structure choices mentioned in Section 3 above affect the operational readiness of likely investors?	Simple average makes it easier for more investors to be operationally ready. However we do not believe that is the best approach in the long-run as we would establish inconsistent payment conventions compared to the derivatives market. Instead, by adopting compounding, we think it helps bringing focus to this issue and speeds up the operational preparation.
		Would any of the security structure choices mentioned in Section 3 above affect the operational readiness of likely investors?	See above.
		How would different market segments (e.g., FRNs, derivatives, business loans, consumer products) be affected by Treasury's decision to issue SOFR-indexed FRNs?	Treasury's decision to issue SOFR-indexed FRNs will establish the benchmark from which other market segments can be priced from and modeled after.
	5.2	What effect would Treasury's issuance of SOFR-indexed FRNs have on the overall market transition away from LIBOR beyond that caused by current issuance of SOFR-indexed FRNs by other issuers? Please provide specific details of the cause and effect relationships you expect.	This is a signficant step forward in terms of the overall market transition away from Libor. The regulatory call to action will have been answered and validated by the Treasury's issuance. SOFR-indexed FRNs will establish a "risk-free" benchmark from where other and future SOFR-based issuances can price from. A consistent payment convention will speed up operational preparation for investors around the globe given the Treasury's broad and deep reach. The benefits are far and many in our view.