Kermit Kubitz Comment Letter 07.07.20

The is a Comment on the **Department of the Treasury** (TREAS) Notice:
Development and Potential Issuance of Treasury Floating Rate Notes Indexed to the SOFR

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Comment

The issues of Floating Rate Notes indexed to the SOFR could potentially create a source of instability, given that the variability of SOFR rates is uncertain for the unusual and unexpected levels of national debt resulting from the Covd19 pandemic and necessary fiscal stimulus. The used of floating rate notes with an index which is not bounded would be unwise and potentially risky. If consideration of such Floating Rate Notes is to be actually undertaken, the limits of the Floating Rate should be bounded, particularly on the upside. While this might make the floating rate notes somewhat less attrative, it would still permit some adjustment in rates, without unlimited tail risk.

In order words, extraordinary tail risk for floating rate notes should not be permitted. Some fluctuation of such notes might be attrative, but unlimited fluctuation would not be desirable and could increase overall borrowing costs at a time when the US government's ability to borrow is stressed or limited.

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