Government Finance Officers Association
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July 11, 2011

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, D.C 20219

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA45
Federal Housing Finance Agency
1700 G Street, NW, 4th Floor
Washington, DC 20552

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
500 17th Street, NW
Washington, DC 20429

Gary K. Van Meter, Acting Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Re: Docket No. OCC-2011-0008/RIN 1557-AD43; Docket No. R-1415 /RIN 7100 AD74; RIN 3064-AD79; RIN 3052-AC69; RIN 2590-AA45
MARGIN AND CAPITAL REQUIREMENTS FOR COVERED SWAP ENTITIES

Dear Ladies and Gentlemen,

The Government Finance Officers Association (GFOA) appreciates the opportunity to comment on the notice of proposed rulemaking listed above. The GFOA is a 17,000 member professional association of state, provincial and local finance officers in the United States and Canada and has served the public finance profession since 1906. Our members are dedicated to the sound management of government financial resources.

Earlier this year, the GFOA responded to proposed rules made by the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) regarding the End-User Exemption to Mandatory Clearing of Swaps. Those comments relate specifically to question 11, which is part of the Prudential Regulators request for comment on margin and capital requirements for covered swap entities.

As noted in those comments and reiterated here, we believe that it is imperative to ensure that the end-user exception from the mandatory clearing requirement applies to swaps involving state or local governments or government agencies or authorities as end-users. The rules need to be further clarified to ensure that the margin requirements related to uncleared swaps under the Act do not apply to swaps involving state and local governments and agencies and authorities, either directly or indirectly. Many governments would be unable or are prohibited from posting collateral or margin on these contracts,

which could significantly disrupt those contracts that are currently outstanding and may need to be restructured in the future. Furthermore, state and local governments are not financial entities. Rather, they most commonly enter into derivative contracts to achieve interest rate savings related to bond issuances. In essence, they hedge or mitigate commercial risk, which qualifies these transactions as part of the end-user exception. Additionally, the proposed rules should specify that swaps that meet the criteria of the Governmental Accounting Standards Board ("GASB") Statement No. 53, Accounting and Financial Reporting for Derivative instruments (or successor GASB guidance) meet the qualification for a hedging transaction and so are included in the end-user exception.

Unlike certain transactions in the private sector, there is not a boilerplate arrangement for the swap transactions of state and local governments – each are unique contracts tailored to unique sets of circumstances. These contracts are usually executed within the realm of relevant state and local laws governing these transactions. A federal pre-emption of these laws, where posting margin or collateral would be required, would be very disruptive to this market.

Thank you for the opportunity to comment on this important issue.

Sincerely,

Susan Gaffney
Director, Federal Liaison Center