

Patrick J. Foye
Executive Director

February 13, 2012

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

Re: Docket No. R-1432; RIN 7100-AD82

Dear Ms. Johnson:

We are writing to express our concerns regarding certain elements of the notice of proposed rulemaking (the "Proposal") issued by the Board of Governors of the Federal Reserve, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Securities and Exchange Commission (collectively, the "Agencies") to implement Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Volcker Rule").

The Port Authority of New York and New Jersey (the Port Authority) is a municipal corporate instrumentality and political subdivision of the States of New York and New Jersey, created by the Compact of April 30, 1921, between the two States and thereafter consented to by the Congress of the United States. In general, the Port Authority was established to provide transportation, terminal and other facilities of commerce within the Port District, comprising 1,500 square miles in both States. The Port Authority raises the necessary funds for the improvement, construction or acquisition of its facilities generally upon the basis of its own credit and has no ability to levy taxes. The Port Authority supports the long-term economic growth and prosperity of the New York/New Jersey metropolitan region through significant capital investment in the critical transportation facilities. This capital investment is primarily funded through the issuance of municipal securities on a competitive basis through the financial markets. Currently, the Port Authority has almost \$16 billion of outstanding long-term fixed rate obligations. In order to continue to support the region's transportation infrastructure, the Port Authority expects to issue approximately \$2-\$3 billion in municipal securities annually for the next five years.

The Volcker Rule exempts municipal securities from its ban on proprietary trading by certain banking entities; however, rather than using the definition of "municipal securities" established by the Securities Exchange Act of 1934 (the "1934 Act"), the Agencies propose to use a narrower definition.

We share the view of the Municipal Securities Rulemaking Board that it is essential that the governmental obligations exemption of the Volcker Proposal be expanded to apply to all municipal securities as defined in Section 3(a)(29) of the 1934 Act. It should be noted that the Agencies have the exemptive authority under the Volcker Rule to use the 1934 Act definition of municipal securities, in place of their currently proposed narrower definition. We are concerned that the current version of the Proposal will result in increased funding costs for governmental agencies such as the Port Authority that are responsible for important infrastructure projects, and lead to the loss of investor liquidity in the municipal securities market - while doing nothing to improve the safety and soundness of the banking system.

Thank you for your support in these matters.

Very truly yours,



Patrick J. Foye
Executive Director

Cc: Mr. Michael Fabiano, Chief Financial Officer
Mr. Darrell Buchbinder, General Counsel